

**Hadley Institute
For the Blind and Visually Impaired**

Financial Statements
and Independent Auditor's Report

June 30, 2021 and 2020



HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Hadley Institute for the Blind and Visually Impaired

We have audited the accompanying financial statements of the Hadley Institute for the Blind and Visually Impaired, which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hadley Institute for the Blind and Visually Impaired as of June 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

FGMK, LLC

Bannockburn, Illinois
November 15, 2021

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

ASSETS		
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 430,119	\$ 1,201,474
Restricted cash	30,000	-
Investments	103,614,248	85,414,960
Receivables:		
Contributions	531,500	582,500
Other	12,242	5,250
Prepaid expenses	39,299	43,044
Property and equipment, net	8,258,616	9,033,985
Website development	1,016,951	5,481
Website development in progress	-	901,469
	<u>\$ 113,932,975</u>	<u>\$ 97,188,163</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Notes payable	\$ 6,648,270	\$ 7,428,886
Accounts payable and accrued expenses	651,430	578,419
	<u>7,299,700</u>	<u>8,007,305</u>
NET ASSETS		
Without donor restrictions	99,771,138	81,999,159
With donor restrictions	6,862,137	7,181,699
	<u>106,633,275</u>	<u>89,180,858</u>
	<u>\$ 113,932,975</u>	<u>\$ 97,188,163</u>

The accompanying notes are an integral part of these statements.

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND PUBLIC SUPPORT						
Contributions						
Corporate	\$ 14,420	\$ 5,000	\$ 19,420	\$ 38,066	\$ 10,000	\$ 48,066
Foundations	147,483	119,500	266,983	125,250	168,500	293,750
Individuals	881,087	17,199	898,286	724,495	16,745	741,240
Service clubs	8,774	2,000	10,774	10,042	16,298	26,340
Woman's board	156,950	-	156,950	148,200	-	148,200
Bequests	108,358	6,004	114,362	3,644,262	-	3,644,262
Major gifts campaign	423,839	-	423,839	508,719	775,000	1,283,719
Donated materials and services	349,177	-	349,177	334,089	-	334,089
Total contributions	2,090,088	149,703	2,239,791	5,533,123	986,543	6,519,666
Release of net assets from restriction arising from satisfaction of program restrictions	714,440	(714,440)	-	562,235	(562,235)	-
Investment income (net of management fees)	1,149,767	138,870	1,288,637	1,582,241	269,683	1,851,924
Net realized gain/loss on sales of investments	1,272,548	49,135	1,321,683	2,790,217	(559,633)	2,230,584
Net change in unrealized gain/loss on investments	20,897,908	57,170	20,955,078	(4,535,661)	277,586	(4,258,075)
Tuition and other	83,850	-	83,850	79,199	-	79,199
Gain from sales of property and equipment	563,600	-	563,600	-	-	-
	26,772,201	(319,562)	26,452,639	6,011,354	411,944	6,423,298
EXPENSES						
Educational programs and public awareness	6,765,908	-	6,765,908	7,296,236	-	7,296,236
Fundraising	1,096,733	-	1,096,733	1,050,025	-	1,050,025
General and administrative	1,137,581	-	1,137,581	947,355	-	947,355
	9,000,222	-	9,000,222	9,293,616	-	9,293,616
CHANGE IN NET ASSETS	17,771,979	(319,562)	17,452,417	(3,282,262)	411,944	(2,870,318)
NET ASSETS						
Beginning of year	81,999,159	7,181,699	89,180,858	85,281,421	6,769,755	92,051,176
End of year	\$ 99,771,138	\$ 6,862,137	\$ 106,633,275	\$ 81,999,159	\$ 7,181,699	\$ 89,180,858

The accompanying notes are an integral part of these statements.

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Educational Programs and Public Awareness							
	Learning Domains and Support Services	Technology Services	Media and Materials Production	Communications and Outreach	Total Programs	Fundraising	General and Administrative	Total
PERSONNEL								
Salaries	\$ 2,745,519	\$ 421,562	\$ 265,396	\$ 494,614	\$ 3,927,091	\$ 621,851	\$ 534,396	\$ 5,083,338
Employee benefits	707,132	102,627	80,366	154,312	1,044,437	153,292	133,214	1,330,943
	<u>3,452,651</u>	<u>524,189</u>	<u>345,762</u>	<u>648,926</u>	<u>4,971,528</u>	<u>775,143</u>	<u>667,610</u>	<u>6,414,281</u>
EXPENSES								
Consulting services	28,710	43,775	-	275	72,760	127,696	178,283	378,739
Legal services	5,046	-	-	-	5,046	-	5,951	10,997
Accounting services	56,497	9,092	5,576	11,542	82,707	11,813	10,734	105,254
Content development contracts	78,228	-	106,986	-	185,214	-	-	185,214
Professional development	17,984	600	897	2,899	22,380	1,274	4,949	28,603
Conferences and meetings	44,285	99	-	19	44,403	7,896	11,546	63,845
Utilities	36,090	5,637	3,504	5,122	50,353	7,253	10,397	68,003
Postage and delivery	4,909	762	447	720	6,838	18,696	920	26,454
Leases, repairs and maintenance	44,151	147,174	2,450	2,929	196,704	4,174	165,827	366,705
Insurance premiums	41,538	6,516	3,990	5,413	57,457	8,101	7,395	72,953
Bank fees and interest	99,500	15,656	9,769	14,933	139,858	24,261	18,612	182,731
External printing services	-	-	424	4,868	5,292	55,066	-	60,358
Advertising and promotion	6,830	-	-	231,735	238,565	572	1,900	241,037
General supplies	3,399	1,089	6,877	78	11,443	1,553	1,961	14,957
Textbooks and materials	30	-	289,101	-	289,131	-	-	289,131
Non-capital expenditures	4,802	12,930	9,491	-	27,223	-	3,628	30,851
	<u>471,999</u>	<u>243,330</u>	<u>439,512</u>	<u>280,533</u>	<u>1,435,374</u>	<u>268,355</u>	<u>422,103</u>	<u>2,125,832</u>
DEPRECIATION AND AMORTIZATION EXPENSE	<u>253,807</u>	<u>40,013</u>	<u>25,032</u>	<u>40,154</u>	<u>359,006</u>	<u>53,235</u>	<u>47,868</u>	<u>460,109</u>
	<u>\$ 4,178,457</u>	<u>\$ 807,532</u>	<u>\$ 810,306</u>	<u>\$ 969,613</u>	<u>\$ 6,765,908</u>	<u>\$ 1,096,733</u>	<u>\$ 1,137,581</u>	<u>\$ 9,000,222</u>

The accompanying notes are an integral part of this statement.

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Educational Programs and Public Awareness							
	Learning Domains and Support Services	Technology Services	Media and Materials Production	Communications and Outreach	Total Programs	Fundraising	General and Administrative	Total
PERSONNEL								
Salaries	\$ 2,869,659	\$ 470,815	\$ 280,015	\$ 372,330	\$ 3,992,819	\$ 620,330	\$ 567,065	\$ 5,180,214
Employee benefits	759,751	111,597	84,145	121,923	1,077,416	156,519	156,732	1,390,667
	<u>3,629,410</u>	<u>582,412</u>	<u>364,160</u>	<u>494,253</u>	<u>5,070,235</u>	<u>776,849</u>	<u>723,797</u>	<u>6,570,881</u>
EXPENSES								
Consulting services	49,056	-	-	96,466	145,522	89,807	19,787	255,116
Legal services	-	-	-	-	-	-	5,893	5,893
Accounting services	47,981	7,450	4,594	5,641	65,666	9,036	2,217	76,919
Content development contracts	79,624	-	77,512	-	157,136	-	-	157,136
Professional development	37,948	7,147	1,448	6,412	52,955	2,246	26,924	82,125
Conferences and meetings	130,999	1,225	114	3,062	135,400	2,285	12,544	150,229
Utilities	40,044	2,112	2,458	1,161	45,775	5,187	7,803	58,765
Postage and delivery	10,545	1,222	24	1,802	13,593	7,809	1,638	23,040
Leases, repairs and maintenance	23,563	545,064	1,999	2,354	572,980	3,978	53,028	629,986
Insurance premiums	21,938	3,483	2,276	2,696	30,393	4,259	2,680	37,332
Bank fees and interest	154,825	24,448	15,147	19,834	214,254	39,036	29,363	282,653
External printing services	-	-	800	5,265	6,065	29,018	-	35,083
Advertising and promotion	-	-	-	1,905	1,905	16,740	3,287	21,932
General supplies	9,067	4,284	14,429	628	28,408	1,109	4,499	34,016
Textbooks and materials	220	-	346,510	-	346,730	-	-	346,730
Non-capital expenditures	-	10,191	3,099	6,657	19,947	-	-	19,947
	<u>605,810</u>	<u>606,626</u>	<u>470,410</u>	<u>153,883</u>	<u>1,836,729</u>	<u>210,510</u>	<u>169,663</u>	<u>2,216,902</u>
DEPRECIATION AND AMORTIZATION EXPENSE	<u>248,487</u>	<u>53,087</u>	<u>50,126</u>	<u>37,572</u>	<u>389,272</u>	<u>62,666</u>	<u>53,895</u>	<u>505,833</u>
	<u>\$ 4,483,707</u>	<u>\$ 1,242,125</u>	<u>\$ 884,696</u>	<u>\$ 685,708</u>	<u>\$ 7,296,236</u>	<u>\$ 1,050,025</u>	<u>\$ 947,355</u>	<u>\$ 9,293,616</u>

The accompanying notes are an integral part of this statement.

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 17,452,417	\$(2,870,318)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	460,109	505,833
Contributions restricted for long-term investment	(6,004)	-
(Gain) loss on disposal of equipment	(563,600)	3,077
Net realized gain on sales of investments	(1,321,683)	(2,230,584)
Net change in unrealized (gain) loss on investments	(20,955,078)	4,258,075
Changes in operating assets and liabilities:		
Pledges and tuition receivable	44,008	(577,800)
Prepaid expenses	3,745	(43,044)
Accounts payable and accrued expenses	73,011	(83,629)
	<u>(4,813,075)</u>	<u>(1,038,390)</u>
Net Cash Used In Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(9,933,159)	(12,642,532)
Proceeds from sales of investments	14,010,632	14,644,132
Proceeds on sale of property and equipment	1,075,674	-
Payments for property and equipment	(196,814)	(1,519,029)
Payments for capitalized website development	(110,001)	(901,469)
	<u>4,846,332</u>	<u>(418,898)</u>
Net Cash Provided By (Used In) Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in line of credit	-	1,554,885
Principal payments of notes payable	(780,616)	-
Proceeds from contributions restricted for investment in endowment	6,004	-
	<u>(774,612)</u>	<u>1,554,885</u>
Net Cash Provided By (Used In) Financing Activities		
NET CHANGE IN CASH, CASH EQUIVALENTS, RESTRICTED CASH	(741,355)	97,597
CASH, CASH EQUIVALENTS, RESTRICTED CASH - BEGINNING OF YEAR	<u>1,201,474</u>	<u>1,103,877</u>
CASH, CASH EQUIVALENTS, RESTRICTED CASH - END OF YEAR	<u>\$ 460,119</u>	<u>\$ 1,201,474</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 182,731</u>	<u>\$ 282,653</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH FINANCING ACTIVITIES		
Line of credit refinanced with notes payable	<u>\$ -</u>	<u>\$ 7,428,886</u>

The accompanying notes are an integral part of these statements.

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities. Hadley Institute for the Blind and Visually Impaired (“Hadley”) is a not-for-profit educational institution located in Winnetka, Illinois whose mission is to create personalized distance learning opportunities that empower people to thrive at home, at work, and in their communities.

Programs for non-professional learners are offered free of charge; Hadley’s activities are funded primarily by charitable contributions and investment returns. As a result, fundraising is a critically important function and supporting service at Hadley.

Basis of Accounting. Hadley’s financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other assets and liabilities. Hadley reports its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Financial Statement Presentation. Hadley is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Without Donor Restrictions - Amounts that are currently available for use in Hadley’s operations and for acquisition of property and equipment.

With Donor Restrictions - Amounts that are stipulated by donors for specific operating purposes, for use in future periods or to be maintained permanently by Hadley.

Management Estimates and Assumptions. The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates. Future events and their effects cannot be predicted with certainty; accordingly, accounting estimates require the exercise of judgment. Accounting estimates used in the preparation of these financial statements change as new events occur, as more experience is acquired, as additional information is obtained, and the operating environment changes.

Cash, Cash Equivalents and Restricted Cash. Hadley maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. Hadley has not experienced any losses in such accounts. Management believes that Hadley is not exposed to any significant credit risk on cash. Cash equivalents with an original maturity of ninety days or less that are considered a portion of investments are classified and reported as investments. A cash amount of \$30,000 was set aside under the sale agreement of Hadley’s property to satisfy the reserve requirement for any potential real estate taxes exposure. The arrangement will end at the end of March 2022.

Investments. Investments are presented in the financial statements at fair value. Investment income, realized gains (losses), and change in unrealized gains (losses) are reflected in the statements of activities. Investments received as contributions are recorded at fair value at the date of receipt. Hadley’s investment portfolio is subject to various risks, such as interest rate, credit and overall market volatility. Because of these risks, it is possible that changes in the fair value of investments may occur and that such changes could materially affect Hadley’s financial statements.

Contributions Receivable. Contributions, including unconditional promises, are recognized as revenue when the donor’s commitment is received. Unconditional promises to give and grants expected to be received in over one year are recorded at the present value of their estimated future cash flows. Conditional promises are recorded when donor stipulations are substantially met. As of June 30, 2021, unconditional promises to give expected to be received within one year and within one to five years are \$214,000 and \$317,500, respectively.

(Continued)

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment. Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the time of receipt. Additions and improvements to existing property and equipment over \$5,000 during the year are capitalized, while general maintenance and repairs are charged to expense. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets. For building and improvements, lives range from 5 to 40 years, and for equipment, lives range from 3 to 10 years.

Website Development. Website development represents costs related to establishing Hadley 2.0, an online learning portal for blind and visually impaired individuals. Hadley has elected to amortize the intangible asset over an estimated useful life of 15 years. Hadley reviews intangible assets for impairment annually. If circumstances suggest that associated costs are irrecoverable, the carrying value is then reduced to fair value. There were no impairment charges for the year ended June 30, 2021.

Contributions. Hadley reports contributions, including unconditional promises to give, as revenue in the period the contribution or promise is received. Contributions of cash and other assets are reported as restricted support if received with donor stipulations that limit the use of the contribution. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. When the donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Services. Donated services and other noncash donations are recorded as contributions at their estimated fair value on the date received. Many individuals volunteer their time and perform a variety of tasks that assist Hadley with its programs and administration, but these donated services are not reflected in the financial statements because they do not meet the requirements for inclusion. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Hadley recorded in-kind contribution revenue under other revenue in the statements of activities for donated printing services, legal consultation, and office space.

Deferred Compensation. Hadley has deferred compensation arrangements with a former employee. The agreement required equal quarterly payments of \$25,889 including interest at a rate of 9% through April of 2021. The related liability which is included in the accounts payable and accrued expenses on the statement of financial position, was approximately \$74,000 as of June 30, 2020. The liability was fully paid off in 2021.

Income Taxes. Hadley is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes excluding any income not related to its tax-exempt purpose. Accordingly, no provision for income taxes has been recorded in the financial statements.

Functional Allocation of Expenses. The costs of providing the various programs and other activities for the years ended June 30, 2021 and 2020 have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and supporting services on the basis of management estimates.

Liquidity and Availability. Hadley regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Hadley has various sources of liquidity at its disposal, including cash and cash equivalents and equity securities.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Hadley considers all expenditures related to its ongoing activities to be general expenditures. While tuition makes up a small portion of revenue, most of Hadley's content is provided tuition-free. As of June 30, 2021, approximately \$500,000 of cash and \$103 million of investments without donor restriction could readily be made available within one year of the statement of financial position date to meet general expenditures.

(Continued)

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

Reclassification. Certain 2020 amounts have been reclassified to conform to the 2021 presentation which had no effect on previously reported net assets.

Economic Conditions. In March 2020, government agencies announced warnings related to the Coronavirus (“COVID-19”). Any potential decline in economic activity in the U.S. and other regions of the world as a result of the virus may have an adverse impact on Hadley.

NOTE 2 – DESCRIPTION OF PROGRAMS

Learning Domains and Support Services. These departments are responsible for the development and delivery of Hadley’s program content, and interaction with learners. Included in these departments are vision professionals, instructional designers, and customer support staff.

Technology Services. As a distance learning organization, technology is central to Hadley’s ability to deliver its content in formats that are accessible to people who are visually impaired. The Technology Services department also supports the technology needs of Hadley’s staff.

Media and Materials Production. Hadley provides content in four formats: braille, large print, audio, and online. This department is responsible for the production of the content in these formats and for the delivery of offline materials to learners.

Communications and Outreach. The number of older individuals who are visually impaired is expected to double in the next 10 years. This is due to the incidence of age-related eye conditions such as macular degeneration, glaucoma, and diabetic retinopathy. Hadley is committed to reaching members of this population as early as possible following diagnosis in order to help people live as independently as possible for as long as possible. Hadley continually reaches out to target populations to identify content for learners that is relevant and timely.

NOTE 3 – FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (“FASB”) Accounting Standard Codification (“ASC”) 820, *Fair Value Measurements and Disclosure*, provides the framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1. Inputs to the valuation methodology are unadjusted quoted prices for identical assets and liabilities in active markets that Hadley has the ability to access.

Level 2. Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active market;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3. Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

(Continued)

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The assets 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of June 30, 2021 and 2020.

Cash and Cash Equivalents. Cash is presented at face value (Level 1 inputs). Fair values of cash equivalents consisting of money market funds are estimated to approximate deposit account balances, payable on demand, as no discounts for credit quality or liquidity were determined to be applicable (Level 2 inputs).

Mutual Funds. These investments consist of mutual fund holdings primarily invested in equity securities, fixed income funds, and real estate funds. The fair values of these investments are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Alternative Investments. Investments in hedge funds and real estate funds are reported at fair value based on net asset values ("NAV") provided by the external investment manager as of the date of their most recent audited financial statements, adjusted for cash receipts, cash disbursements and other anticipated income or loss through Hadley's fiscal year end. The NAVs of the investment funds are determined on the accrual basis of accounting in conformity with GAAP. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The fair value of Hadley's investments in investment limited partnerships generally represents the amount Hadley would expect to receive if it were to liquidate its investment in the investment limited partnerships excluding any redemption charges that may apply. Included under alternative investments-other below is \$960,269 which consisted of capital calls that were in transit as of June 30, 2020.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Hadley believes the 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 partnerships have annual, quarterly, or weekly redemption periods with notice periods ranging from 5 to 90 days. As of June 30, 2021 and 2020, Hadley had unfunded commitments of approximately \$5,966,000 and \$8,203,000 related to hedge fund investments, respectively, and no unfunded commitments related to the real estate fund investments. Unfunded commitments represent capital calls which can be made at the discretion of the general partner within contractual limits. These commitments do not represent obligations required to be accrued on the Statements of Financial Position.

Hadley's hedge fund holdings invest primarily in other hedge funds that invest primarily in exchange traded equity and debt securities and private equity investments. Hadley's real estate fund holdings invest primarily in core stable institutional quality office, retail, industrial and multi-family residential properties that are substantially leased and have minimal deferred maintenance or functional obsolescence.

The inputs or methodology used for valuing financial instruments are not necessarily an indication of the risks associated with investing in those instruments.

(Continued)

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 – FAIR VALUE MEASUREMENTS (Concluded)

The following table summarizes investments according to the fair value hierarchy as of June 30, 2021 and 2020.

	Assets at Fair Value as of June 30, 2021				Total
	Level 1	Level 2	Level 3	NAV	
Cash and Cash Equivalents	\$ -	\$ 822,699	\$ -	\$ -	\$ 822,699
Mutual Funds:					
Mortgage backed fixed income	11,227,663	-	-	-	11,227,663
U.S. Equities	42,461,236	-	-	-	42,461,236
International Equities	24,431,518	-	-	-	24,431,518
Alternative Investments:					
Real estate funds	-	-	-	7,097,817	7,097,817
Hedge funds	-	-	-	16,143,958	16,143,958
Other	1,429,357	-	-	-	1,429,357
	<u>\$ 79,549,774</u>	<u>\$ 822,699</u>	<u>\$ -</u>	<u>\$ 23,241,775</u>	<u>\$103,614,248</u>
	Assets at Fair Value as of June 30, 2020				Total
	Level 1	Level 2	Level 3	NAV	
Cash and Cash Equivalents	\$ -	\$ 1,728,896	\$ -	\$ -	\$ 1,728,896
Mutual Funds:					
Mortgage backed fixed income	11,127,704	-	-	-	11,127,704
U.S. Equities	30,156,057	-	-	-	30,156,057
International Equities	17,602,920	-	-	-	17,602,920
Alternative Investments:					
Real estate funds	-	-	-	7,779,551	7,779,551
Hedge funds	-	-	-	16,059,563	16,059,563
Other	960,269	-	-	-	960,269
	<u>\$ 59,846,950</u>	<u>\$ 1,728,896</u>	<u>\$ -</u>	<u>\$ 23,839,114</u>	<u>\$ 85,414,960</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2021	2020
Land	\$ 19,908	\$ 39,908
Building and improvements	10,497,867	11,242,427
Equipment	1,953,617	1,968,011
	<u>12,471,392</u>	<u>13,250,346</u>
Less: Accumulated depreciation	<u>4,212,776</u>	<u>4,216,361</u>
	<u>\$ 8,258,616</u>	<u>\$ 9,033,985</u>

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – WEBSITE DEVELOPMENT

Website development consisted of the following components as of:

	June 30, 2021			June 30, 2020		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Website development	<u>\$1,091,174</u>	<u>\$ 74,223</u>	<u>\$1,016,951</u>	<u>\$ 15,300</u>	<u>\$ 9,819</u>	<u>\$ 5,481</u>

Estimated future amortization was as follows as of June 30, 2021:

Year Ending June 30	Amount
2022	\$ 74,071
2023	71,725
2024	71,725
2025	71,725
2026	71,725
Thereafter	<u>655,980</u>
	<u>\$ 1,016,951</u>

NOTE 6 – EMPLOYEE BENEFIT PLANS

Hadley provides a tax-sheltered retirement program in accordance with the provisions of Section 403(b) of the Internal Revenue Code, whereby it makes contributions equal to 25 cents for each dollar of payroll reduction contribution, subject to IRS limitations. Hadley's contribution was approximately \$249,000 and \$292,000 for the years ended June 30, 2021 and 2020, respectively.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes or periods as of June 30:

	2021	2020
Subject to expenditure for specified purpose*:		
Awards ceremony	\$ 13,219	\$ -
Braille instruction	-	8,626
Communications	120,819	199,719
Content development	7,929	124,154
Entrepreneurship	650,247	784,569
Florida recruiting	43,200	43,201
Independent living and low vision	522	1,275
Reference materials	42	-
Leadership	37,242	37,242
Texas recruiting	71,432	71,432
Veterans	<u>563,735</u>	<u>563,735</u>
Subtotal to page 13	<u>\$ 1,508,387</u>	<u>\$ 1,833,953</u>

(Continued)

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS (Concluded)

	<u>2021</u>	<u>2020</u>
Subtotal from page 12	\$ 1,508,387	\$ 1,833,953
Endowments:		
Awards ceremony	288,000	288,000
Braille instruction	169,700	169,700
Communications	1,000,000	1,000,000
Content development	100,000	100,000
Deaf/blind	185,000	185,000
Everitt room repairs	-	20,000
General purpose	2,613,455	2,587,451
Independent living and low vision	299,631	299,631
Macular degeneration	406,464	406,464
Older blind	100,000	100,000
Reference materials	5,000	5,000
Learner education	101,500	101,500
Learner scholarship	50,000	50,000
Veterans	25,000	25,000
Youth education	10,000	10,000
	<u>5,353,750</u>	<u>5,347,746</u>
Total	<u>\$ 6,862,137</u>	<u>\$ 7,181,699</u>

* Balances of \$134,081 and \$203,346 as of June 30, 2021 and 2020, respectively, were restricted by time until appropriation.

NOTE 8 – ENDOWMENT NET ASSETS

Hadley's endowment consists of individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Hadley has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to require the preservation of the fair value 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, Hadley retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by Hadley in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Continued)

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – ENDOWMENT NET ASSETS (Continued)

In accordance with UPMIFA, Hadley considers the following factors in making a determination to appropriate or accumulate earnings on donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purpose of Hadley 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 Hadley; and
7. The investment policies of Hadley.

Endowment Composition. Hadley's endowment net assets consisted of the following as of:

	June 30, 2021		
	Without Donor Restriction	With Donor Restrictions	Total
Board designated endowment funds	\$ 98,317,636	\$ -	\$ 98,317,636
Donor restricted endowment funds:			
Original donor restricted gift amount	-	5,353,750	5,353,750
Accumulated investment gains	-	137,707	137,707
	<u>\$ 98,317,636</u>	<u>\$ 5,491,457</u>	<u>\$103,809,093</u>
	June 30, 2020		
	Without Donor Restriction	With Donor Restrictions	Total
Board designated endowment funds	\$ 80,685,085	\$ -	\$ 80,685,085
Donor restricted endowment funds:			
Original donor restricted gift amount	-	5,347,746	5,347,746
Accumulated investment gains	-	203,346	203,346
	<u>\$ 80,685,085</u>	<u>\$ 5,551,092</u>	<u>\$ 86,236,177</u>

Changes in Endowment Net Assets. Changes in endowment net assets were as follows for the years ended:

	Year Ended June 30, 2021		
	Without Donor Restriction	With Donor Restrictions	Total
Balance, beginning of year	\$ 80,685,085	\$ 5,551,092	\$ 86,236,177
Contributions	114,100	6,004	120,104
Net investment return	23,320,080	245,175	23,565,255
Appropriation of endowment assets for expenditure	(5,801,629)	(310,814)	(6,112,443)
Balance, end of year	<u>\$ 98,317,636</u>	<u>\$ 5,491,457</u>	<u>\$103,809,093</u>

(Continued)

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – ENDOWMENT NET ASSETS (Concluded)

	Year Ended June 30, 2020		
	Without Donor Restriction	With Donor Restrictions	Total
Balance, beginning of year	\$ 83,417,334	\$ 5,682,996	\$ 89,100,330
Contributions	3,644,262	-	3,644,262
Net investment deficit	(163,468)	(12,364)	(175,832)
Appropriation of endowment assets for expenditure	(6,213,043)	(119,540)	(6,332,583)
Balance, end of year	<u>\$ 80,685,085</u>	<u>\$ 5,551,092</u>	<u>\$ 86,236,177</u>

Funds with Deficiencies. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or Illinois UPMIFA requires Hadley to retain as a fund of perpetual duration. Hadley has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2021 and 2020, there were no individual donor restricted endowment funds with deficiencies.

Return Objectives and Risk Parameters. Hadley 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 Hadley must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner intended to achieve a rate of return that is consistently 3% to 5% over the rate of inflation (as measured by the National Consumer Price Index), on an after-fee-basis over a typical market cycle of no less than three years and no more than five years. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives. To satisfy its long-term rate-of-return objectives, Hadley relies on a total return strategy in which returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Hadley 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. Hadley has a policy of appropriating an estimate of expenditures each year as part of a formal, annual budget. Changes to appropriations are also approved during the year as unexpected needs arise. In establishing this policy, Hadley considered the long-term expected return on its endowment and historical levels of contributions.

NOTE 9 – LINE OF CREDIT

Hadley had an unsecured line of credit agreement with a commercial bank that matured on May 31, 2020 and was converted into two notes payable, as described in Note 10.

NOTE 10 – NOTES PAYABLE

In June 2020, Hadley entered into a loan agreement with a commercial bank. The agreement consisted of Term Loans 1 and 2 as follows:

(Continued)

HADLEY INSTITUTE FOR THE BLIND AND VISUALLY IMPAIRED

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10 – NOTES PAYABLE (Concluded)

Term Loan 1. Original principal of \$5,000,000, bearing interest at 2.25% fixed rate, payable in monthly installments of \$29,969, and matures June 10, 2023 with a balloon payment of \$4,413,137.

Term Loan 2. Original principal of \$2,428,886, bearing interest at the prime rate (3.25% at June 30, 2021) less 0.75%, payable in monthly installments of \$12,914, and matures June 10, 2023 with a balloon payment of \$1,650,999.

Maturity of notes payable are as follows as of June 30, 2021:

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 301,155
2023	<u>6,347,115</u>
	<u>\$ 6,648,270</u>

NOTE 11 – SUBSEQUENT EVENTS

Hadley's management has evaluated all known subsequent events from June 30, 2021 through November 15, 2021, the date the accompanying financial statements were available to be issued, and is not aware of any material subsequent events occurring during this period that have not been disclosed in the notes to the financial statements.