

THE SEEING EYE, INC.
(A New Jersey Not-for-Profit Organization)

FINANCIAL STATEMENTS

SEPTEMBER 30, 2023 and 2022

THE SEEING EYE, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Seeing Eye, Inc.
(A New Jersey Not-for-Profit Organization)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Seeing Eye, Inc. (the "Organization," we, us, our), which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and cash flows for each of the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Seeing Eye, Inc. as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

EisnerAmper LLP

EISNERAMPER LLP
Iselin, New Jersey
December 15, 2023



THE SEEING EYE, INC.

Statements of Financial Position

	September 30,	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 3,163,000	\$ 5,012,000
Prepaid expenses and other assets	488,000	217,000
Investments	326,619,000	299,826,000
Beneficial interests in perpetual trusts held by others	31,373,000	33,093,000
Beneficial interests in other charitable trusts	3,828,000	3,782,000
Land, buildings and equipment, net	41,959,000	43,296,000
	<u>\$ 407,430,000</u>	<u>\$ 385,226,000</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,846,000	\$ 2,900,000
Accrued pension and postretirement benefits	4,231,000	8,518,000
Interest payable	348,000	348,000
Finance lease obligation	2,162,000	2,218,000
Bonds payable, net	34,536,000	34,892,000
	<u>44,123,000</u>	<u>48,876,000</u>
Net assets:		
Without donor restrictions	320,249,000	291,875,000
With donor restrictions	43,058,000	44,475,000
	<u>363,307,000</u>	<u>336,350,000</u>
	<u>\$ 407,430,000</u>	<u>\$ 385,226,000</u>

See accompanying notes to financial statements.

THE SEEING EYE, INC.

Statement of Activities Year Ended September 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating revenue, gains and other support:			
Contributions	\$ 8,988,000	\$ 215,000	\$ 9,203,000
Legacies	8,907,000	-	8,907,000
Trust income	1,659,000	-	1,659,000
Investment assets appropriated for operations	15,060,000	164,000	15,224,000
Other revenues	225,000	-	225,000
Net assets released from restrictions	335,000	(335,000)	-
	<u>35,174,000</u>	<u>44,000</u>	<u>35,218,000</u>
Operating expenses:			
Program services	24,653,000	-	24,653,000
Management and general	1,561,000	-	1,561,000
Fundraising	4,375,000	-	4,375,000
	<u>30,589,000</u>	<u>-</u>	<u>30,589,000</u>
Increase in net assets from operating activities	<u>4,585,000</u>	<u>44,000</u>	<u>4,629,000</u>
Other changes:			
Investment gain, net	35,268,000	377,000	35,645,000
Investment assets appropriated for operations	(15,060,000)	(164,000)	(15,224,000)
Unrealized loss on beneficial interests in perpetual trusts held by others	-	(1,720,000)	(1,720,000)
Change in value of split-interest agreements	(33,000)	46,000	13,000
Net periodic pension and postretirement change other than service cost	106,000	-	106,000
Gain on disposal of fixed assets	1,000	-	1,000
Pension and postretirement - other changes	3,507,000	-	3,507,000
	<u>23,789,000</u>	<u>(1,461,000)</u>	<u>22,328,000</u>
Change in net assets	<u>28,374,000</u>	<u>(1,417,000)</u>	<u>26,957,000</u>
Net assets - beginning of year	<u>291,875,000</u>	<u>44,475,000</u>	<u>336,350,000</u>
Net assets - end of year	<u>\$ 320,249,000</u>	<u>\$ 43,058,000</u>	<u>\$ 363,307,000</u>

See accompanying notes to financial statements.

THE SEEING EYE, INC.

Statement of Activities Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue, gains and other support:			
Contributions	\$ 9,168,000	\$ 1,106,000	\$ 10,274,000
Legacies	10,784,000	-	10,784,000
Trust income	1,739,000	-	1,739,000
Investment assets appropriated for operations	14,010,000	136,000	14,146,000
Other revenues	167,000	-	167,000
Net assets released from restrictions	258,000	(258,000)	-
	<u>36,126,000</u>	<u>984,000</u>	<u>37,110,000</u>
Operating expenses:			
Program services	23,311,000	-	23,311,000
Management and general	1,811,000	-	1,811,000
Fundraising	3,776,000	-	3,776,000
	<u>28,898,000</u>	<u>-</u>	<u>28,898,000</u>
Increase in net assets from operating activities	<u>7,228,000</u>	<u>984,000</u>	<u>8,212,000</u>
Other changes:			
Investment loss, net	(32,918,000)	(524,000)	(33,442,000)
Investment assets appropriated for operations	(14,010,000)	(136,000)	(14,146,000)
Unrealized gain on beneficial interests in perpetual trusts held by others	-	3,348,000	3,348,000
Change in value of split-interest agreements	10,000	(858,000)	(848,000)
Net periodic pension and postretirement change other than service cost	543,000	-	543,000
Pension and postretirement - other changes	7,352,000	-	7,352,000
	<u>(39,023,000)</u>	<u>1,830,000</u>	<u>(37,193,000)</u>
Change in net assets	<u>(31,795,000)</u>	<u>2,814,000</u>	<u>(28,981,000)</u>
Net assets - beginning of year	<u>323,670,000</u>	<u>41,661,000</u>	<u>365,331,000</u>
Net assets - end of year	<u>\$ 291,875,000</u>	<u>\$ 44,475,000</u>	<u>\$ 336,350,000</u>

See accompanying notes to financial statements.

THE SEEING EYE, INC.

Statements of Cash Flows

	Year Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 26,957,000	\$ (28,981,000)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	2,393,000	2,326,000
Amortization of bond premium and debt issuance costs, net	(356,000)	(345,000)
Gain on sale of fixed assets	(1,000)	-
Net realized and unrealized (gain) loss on investments	(32,206,000)	38,334,000
Legacies and donor-restricted contributions received for long-term purposes	(1,000)	(866,000)
Donated securities	109,000	1,109,000
Proceeds from sales of donated securities	(109,000)	(1,109,000)
Change in beneficial interests in perpetual trusts held by others	1,720,000	(3,348,000)
Change in beneficial interests in other charitable trusts	(46,000)	858,000
Changes in assets and liabilities:		
Prepaid expenses and other assets	(271,000)	63,000
Accounts payable and accrued expenses	(54,000)	(24,000)
Accrued pension and postretirement benefits	(4,287,000)	(7,801,000)
	(33,109,000)	29,197,000
Net cash (used in) provided by operating activities	(6,152,000)	216,000
Cash flows from investing activities:		
Additions to land, buildings and equipment	(1,056,000)	(808,000)
Proceeds from sale of fixed assets	1,000	-
Proceeds from sale of investments	29,156,000	40,591,000
Purchase of investments	(23,743,000)	(39,033,000)
Net cash provided by investing activities	4,358,000	750,000
Cash flows from financing activities:		
Payments on finance lease obligation	(56,000)	(45,000)
Legacies and donor-restricted contributions received for long-term purposes	1,000	866,000
Net cash (used in) provided by financing activities	(55,000)	821,000
Net change in cash and cash equivalents	(1,849,000)	1,787,000
Cash and cash equivalents - beginning of year	5,012,000	3,225,000
Cash and cash equivalents - end of year	\$ 3,163,000	\$ 5,012,000
Supplemental disclosures of cash paid:		
Cash paid for interest	\$ 1,704,000	\$ 1,716,000
Cash paid for income taxes	\$ 195,000	\$ 2,000

See accompanying notes to financial statements.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The Seeing Eye, Inc. (the "Organization," we, us, our) is a New Jersey not-for-profit educational organization. Our mission is to enhance the independence, dignity and self-confidence of people who are blind or visually impaired through the use of Seeing Eye® dogs. In pursuit of this mission, we breed and raise puppies to become Seeing Eye dogs (or obtain them occasionally by purchase or exchange); teach instructors the science and technique of training Seeing Eye dogs as guides for blind and visually impaired people; instruct blind and visually impaired people in the proper use and handling of the dogs; conduct and support research on canine health and development; and inform the public about the role of guide dogs and the capabilities of blind and visually impaired people to live independently.

[2] Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

[3] Basis of presentation:

Our financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on our Organization as a whole, and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

- *Net Assets Without Donor Restrictions* – represent net assets available for use in general operations and not subject to donor restrictions. The Board of Trustees has designated, from net assets without donor restrictions, net assets for a long-term investment fund and Charitable Gift Annuity Fund.
- *Net Assets With Donor Restrictions* – represent 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.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

[4] Operating indicator:

Our operating activities include all income and expenses related to carrying out our mission. Items not included in this operating measure are predominantly the investment return related to endowment and board-designated funds less the investment assets appropriated for operations, changes in value of split-interest agreements, gains/losses on beneficial interests in perpetual trusts held by others, and pension and postretirement-related changes other than the service component of net periodic pension and postretirement cost.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Cash equivalents:

We consider all cash and highly liquid financial instruments with original maturities of three months or less when acquired, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or designated by our Board of Trustees for long-term purposes, are excluded from this definition.

[6] Investments:

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return or loss is reported in the statements of activities and consists of interest and dividend income, and realized and unrealized capital gains and losses, less external and direct internal investment expenses. Gains and losses on sales of investments are determined using the average cost method.

The fair value for stocks, mutual funds and exchange traded funds ("ETF's") are based on quoted market prices, and U.S. government securities and collective investment trusts are based on quoted prices for similar instruments in active and inactive markets. We use the net asset value ("NAV") per share, as provided by the management of limited partnerships, to estimate the fair value of investments in limited partnerships which do not have readily determinable fair values. The fair value estimates of these assets do not necessarily represent amounts that might be realized upon their ultimate disposition, and the differences may be material. Users of these financial statements should be aware that the financial markets' volatility may significantly impact the subsequent valuation of our investments. Accordingly, the valuation of investments may not necessarily be indicative of amounts that could be realized in a current market exchange.

[7] Land, buildings and equipment:

Land, buildings and equipment is stated at cost, or if donated, at their approximate fair value at the date of the donation, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from three to forty years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. It is our policy to capitalize property and equipment over \$2,000. Lesser amounts are expensed. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

[8] Impairment of long-lived assets:

We evaluate the recoverability of our investment in long-lived assets on an ongoing basis and recognize any impairment in the year of determination. We evaluated our long-lived assets for impairment as of September 30, 2023 and 2022, and in our opinion, there were no indicators of asset impairment. It is possible that relevant conditions could change in the future which necessitate a change in our estimate of the recoverability of these assets.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition:

We receive our primary operating and other support from contributions (including unconditional promises to give), legacies, trusts and investment assets appropriated for operations, which we recognize as revenue in the period received.

Unconditional promises to give which we expect to receive after one year are discounted at a rate commensurate with the risk involved, and an allowance for uncollectible contributions receivable is provided based upon factors such as prior collection history, type of contribution and nature of fundraising activity.

We recognize conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, when the conditions upon which they were given are substantially met. There were no conditional promises to give as of September 30, 2023 and 2022.

At the date we receive notice of a beneficial interest in a perpetual or other charitable trust held by others, a legacy with donor restrictions is recorded in the statements of activities at fair value, and a corresponding beneficial interest in perpetual trusts or other charitable trusts held by others is recorded in the statements of financial position. Thereafter, beneficial interests in these trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Our volunteers contribute significant amounts of time to our program services, administration and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by U.S. GAAP.

[10] Release of restrictions on net assets held for acquisition of property and equipment:

Contributions we receive of property and equipment without donor-imposed stipulations concerning the use of such assets are reported as revenues without donor restrictions. Contributions we receive of cash or other assets, with a donor-imposed restriction that such donation is to be used to acquire property and equipment, are reported as revenues with donor restrictions. Such restrictions are satisfied at the time the assets are placed in service.

[11] Income taxes:

We have been recognized by the Internal Revenue Service (the "IRS") as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to our exempt purpose, and we annually file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report our unrelated business income.

U.S. GAAP requires an entity to record a tax benefit or liability associated with a tax position taken on a tax return when it is more likely than not the position would be sustained upon audit by a taxing authority. We do not believe we have taken, or expect to take, any material uncertain tax positions on our tax returns that would require us to record a tax liability, interest or penalties or a tax benefit as of September 30, 2023 and 2022.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[12] Subsequent events:

We have evaluated subsequent events through December 15, 2023, the date the financial statements were available to be issued.

NOTE B - INVESTMENTS

A summary of investments held as of September 30, 2023 and 2022 is as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Stocks	\$ 60,882,000	\$ 67,599,000	\$ 58,939,000	\$ 59,084,000
Equity ETF's and mutual funds	44,724,000	59,583,000	42,301,000	51,211,000
Collective investment trusts	33,679,000	63,147,000	34,716,000	53,536,000
Bond mutual funds	19,967,000	18,036,000	13,738,000	12,371,000
U.S. government securities	250,000	249,000	652,000	641,000
Short-term investments	8,316,000	8,293,000	11,686,000	11,664,000
Commodity ETF's	4,647,000	5,712,000	8,084,000	8,938,000
REIT mutual funds	63,000	48,000	66,000	54,000
Limited partnerships	56,064,000	103,952,000	55,435,000	102,327,000
	<u>\$ 228,592,000</u>	<u>\$ 326,619,000</u>	<u>\$ 225,617,000</u>	<u>\$ 299,826,000</u>

Included in investments are assets held under gift annuity agreements, which totaled \$2,410,000 and \$2,309,000 at September 30, 2023 and 2022, respectively, and which are in excess of legally mandated reserves. The fair value of investments in multi-strategy hedge funds was approximately 15% and 16% of total assets at September 30, 2023 and 2022, respectively.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE C - FAIR VALUE MEASUREMENTS

U.S. GAAP requires we report certain assets and liabilities at fair value in our financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly exchange transaction in the principal, or most advantageous, market at the measurement date. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own determination about the assumptions market participants would use in pricing the asset or liability based on the available information.

In determining fair value, we use various approaches, including market, income and/or cost approaches. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three-tier hierarchy categorizes the inputs as follows:

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

Level 2 - Values are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; or inputs that are derived principally from or corroborated by observable market data.

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

The financial instruments within the fair value hierarchy are based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

We monitor the availability of observable market data to assess the appropriate classifications of financial instruments within the fair value hierarchy, including discussions and assessments of fair value measurements with internally responsible personnel as well as investment advisors regarding the methodology used to develop and substantiate unobservable inputs used in Level 3 fair value measurements. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such circumstances, the transfer is reported at the beginning of the reporting period.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables summarize the valuation of our assets within the aforementioned valuation hierarchy as of September 30, 2023 and 2022:

	Assets at Fair Value as of September 30, 2023				Total
	Level 1	Level 2	Level 3	NAV	
Investments:					
Stocks	\$ 67,599,000	\$ -	\$ -	\$ -	\$ 67,599,000
Equity ETFs and mutual funds	59,583,000	-	-	-	59,583,000
Collective investment trusts	-	63,147,000	-	-	63,147,000
Bond mutual funds	18,036,000	-	-	-	18,036,000
U.S. government securities	-	249,000	-	-	249,000
Short-term investments	8,293,000	-	-	-	8,293,000
Commodity ETFs	5,712,000	-	-	-	5,712,000
REIT mutual funds	48,000	-	-	-	48,000
Limited partnerships measured at NAV (a)	-	-	-	103,952,000	103,952,000
	159,271,000	63,396,000	-	103,952,000	326,619,000
Beneficial interests in perpetual and other trusts held by others	-	-	35,201,000	-	35,201,000
Totals	\$ 159,271,000	\$ 63,396,000	\$ 35,201,000	\$ 103,952,000	\$ 361,820,000

	Assets at Fair Value as of September 30, 2022				Total
	Level 1	Level 2	Level 3	NAV	
Investments:					
Stocks	\$ 59,084,000	\$ -	\$ -	\$ -	\$ 59,084,000
Equity ETFs and mutual funds	51,211,000	-	-	-	51,211,000
Collective investment trusts	-	53,536,000	-	-	53,536,000
Bond mutual funds	12,371,000	-	-	-	12,371,000
U.S. government securities	-	641,000	-	-	641,000
Short-term investments	11,664,000	-	-	-	11,664,000
Commodity ETFs	8,938,000	-	-	-	8,938,000
REIT mutual funds	54,000	-	-	-	54,000
Limited partnerships measured at NAV (a)	-	-	-	102,327,000	102,327,000
	143,322,000	54,177,000	-	102,327,000	299,826,000
Beneficial interests in perpetual and other trusts held by others	-	-	36,875,000	-	36,875,000
Totals	\$ 143,322,000	\$ 54,177,000	\$ 36,875,000	\$ 102,327,000	\$ 336,701,000

- (a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) have not been classified in the fair value hierarchy and are presented in the above tables to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

Information regarding the investments reported at NAV as of September 30, 2023 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Multi-strategy hedge funds (a)	\$ 61,283,000	\$ -	Monthly, quarterly, semi- annual and annual	30 - 120 days
Private equity funds (b)	42,575,000	23,744,000	Upon notification	N/A
Private real estate fund (c)	<u>94,000</u>	<u>1,083,000</u>	Upon notification	N/A
	<u>\$ 103,952,000</u>	<u>\$ 24,827,000</u>		

- (a) This category includes hedge funds that pursue multiple strategies to diversify risk. One of these funds is a fund of hedge funds.
- (b) This category includes private equity fund-of-funds, which invest primarily in a variety of private equity funds managed by others.
- (c) This category includes a fund which invests in a variety of real estate investments on a global basis.

The table below sets forth a summary of changes in the fair value of our Level 3 assets for the years ended September 30, 2023 and 2022:

	<u>Beneficial Interests in Trusts</u>	
	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 36,875,000	\$ 34,385,000
Total (losses) gains included in earnings	(1,720,000)	3,348,000
Change in value of split-interest agreements	46,000	(858,000)
Balance, end of year	<u>\$ 35,201,000</u>	<u>\$ 36,875,000</u>

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE D - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consist of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land and land improvements	\$ 6,011,000	\$ 5,987,000
Buildings	74,086,000	73,770,000
Furniture and other equipment	7,304,000	6,757,000
Office and garage space under finance lease	2,508,000	2,508,000
Leasehold improvements	2,874,000	2,874,000
Construction in progress	53,000	-
	<u>92,836,000</u>	91,896,000
Less: accumulated depreciation and amortization	<u>50,877,000</u>	<u>48,600,000</u>
Land, buildings and equipment, net	<u>\$ 41,959,000</u>	<u>\$ 43,296,000</u>

Leased office and garage space recorded under a finance lease at September 30, 2023 and 2022 was \$2,508,000, and related accumulated depreciation at September 30, 2023 and 2022 was \$1,233,000 and \$1,150,000, respectively. Depreciation expense for each of the years ended September 30, 2023 and 2022 for leased office and garage space recorded under a finance lease approximated \$83,000 and \$84,000, respectively.

NOTE E - SPLIT-INTEREST AGREEMENTS

We recognize revenue and related assets and liabilities when an irrevocable split-interest agreement naming us as trustee or fiscal agent is executed. When an unrelated third party acts as trustee or fiscal agent, we recognize contribution income when we are notified of the agreement's existence and all relevant information is made known to us.

[1] Beneficial interests in perpetual trusts held by others:

We have been named as an irrevocable beneficiary of several perpetual trusts held and administered by independent third parties, in accordance with stipulations of the donors who established them. Therefore, we have neither possession nor control over the assets of the trusts. Under the terms of these trusts, we have the right to receive our portion of the income earned on the trust assets in perpetuity, but we are not entitled to receive the assets held in trust. The fair value of the trusts is computed at the present value (5% discount rate at September 30, 2023 and 2022) of the estimated future cash flows to be received from the trusts.

[2] Beneficial interests in other charitable trusts:

Beneficial interests in other charitable trusts are arrangements in which a donor establishes and funds a trust that is administered by an independent third party in accordance with the stipulation of the donor. Under the terms of these trusts, we may have the right to receive a portion of the income earned on the trust assets for a finite period of time and/or, in certain instances, may be entitled to receive our portion of the trust assets upon the termination of the trust. The fair value of the trusts is computed at the present value (discount rates ranging from 4.5% to 5.0% at September 30, 2023 and 2022, respectively) of the estimated future cash flows to be received from the trusts. The fair value of the trusts is recorded as net assets with donor restrictions, and the changes in the fair value of the trusts have been reported in the statements of activities.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE E - SPLIT-INTEREST AGREEMENTS (CONTINUED)

[3] Charitable gift annuities:

Under charitable gift annuity agreements, we receive immediate and unrestricted title to contributed assets in exchange for our promise to make fixed payments to designated beneficiaries. We hold the assets received in segregated funds and record the liability to the beneficiaries at the present value of the estimated future payments expected to be made to them. Upon receipt of the assets establishing the charitable gift annuity, contribution revenue is recognized in an amount equal to the fair value of the assets received less the liability to the beneficiaries. Subsequently, the liability is reduced by payments made to the beneficiaries. Annually, we revalue the liability to the present value of the estimated future payments to be made to the designated beneficiaries, and the changes resulting from this revaluation are reported in the statements of activities. The liability for future payments to beneficiaries approximated \$660,000 and \$758,000 at September 30, 2023 and 2022, respectively, and is included in accounts payable and accrued expenses in the statements of financial position.

NOTE F - BONDS PAYABLE

Bonds payable at September 30, 2023 and 2022 consist of the following bonds issued through the New Jersey Economic Development Authority ("NJEDA"):

	<u>2023</u>	<u>2022</u>
New Jersey Economic Development Authority bonds – 2015, due March 1, 2025 with interest at a rate of 5.0%	\$ 14,085,000	\$ 14,085,000
New Jersey Economic Development Authority bonds – 2017, due June 1, 2032 with interest rates of 3.0% and 5.0% (weighted- average rate of 4.48%)	19,340,000	19,340,000
	33,425,000	33,425,000
Unamortized bond premium and debt issuance costs, net	1,111,000	1,467,000
	<u>\$ 34,536,000</u>	<u>\$ 34,892,000</u>

2015 Bonds:

The 2015 Bonds were issued on March 4, 2015. The proceeds of the bonds (\$17,223,000) were used to provide a portion of the funds for the redemption of bonds issued in 2005 and to pay certain costs of issuance of the 2015 Bonds. Semiannual interest payments are payable on September 1 and March 1.

2017 Bonds:

The 2017 Bonds were issued on December 5, 2017. The proceeds of the 2017 Bonds (\$21,985,000) were used to defease (through an advance refunding) the principal and interest due on bonds issued in 2012 and to pay certain costs of issuance of the 2017 Bonds. The 2017 Bonds are subject to optional redemption by the NJEDA, at the written direction of the Organization, in whole or in part on any interest payment date on or after December 1, 2027 at a redemption price of 100% of the principal amount redeemed together with accrued interest thereon to the redemption date. Semiannual interest payments are payable on December 1 and June 1.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE F - BONDS PAYABLE (CONTINUED)

The bond premiums (net of debt issuance costs) at the dates of the issuance of the 2015 and 2017 Bonds were \$2,674,000 and \$1,028,000, respectively, and are being amortized over the life of the respective bonds using the effective interest rate method. The resulting effective interest rate on the 2015 and 2017 Bonds is 2.81% and 4.00%, respectively. Amortization of the net bond premiums and debt issuance costs, and the effect on the reduction in interest expense for the next five years ending September 30, is as follows:

<u>Year Ending September 30,</u>	
2024	\$ 367,000
2025	197,000
2026	73,000
2027	76,000
2028	79,000

The redemption price of principal and interest on the 2015 and 2017 Bonds are payable solely from payments to be made by us under our loan agreements with the NJEDA. The 2015 and 2017 Bonds are collateralized, on a parity basis, by all contributions, donations, legacies, gifts, grants and pledges received without donor restrictions, whether in the form of cash, securities or other personal property, in an amount up to the annual debt service requirements, plus the greater of \$50,000 or fees and expenses of the trustee and the NJEDA for the prior bond year.

Interest expense incurred on the bonds payable for the years ended September 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Interest paid	\$ 1,571,000	\$ 1,571,000
Amortization of bond premium and debt issuance costs, net	(356,000)	(345,000)
	<u>\$ 1,215,000</u>	<u>\$ 1,226,000</u>

The fair value of the bonds payable was \$33,304,000 and \$33,575,000 at September 30, 2023 and 2022, respectively. The fair value of the bonds was determined by an investment firm using estimated yields for securities with similar characteristics.

NOTE G - RETIREMENT PLANS

We maintain a defined benefit pension plan (the "Plan") covering substantially all of our employees who have attained the age of 21 years and completed one year of service. In addition to providing pension benefits, we provide certain healthcare benefits for eligible retirees.

All pension assets held by the Plan are deposited into funds that invest in equity securities, government and corporate bonds, and short-term investments. Annual contributions made to the Plan are based upon funding requirements under the Employee Retirement Income Security Act of 1974. As of September 30, 2023 and 2022, the pension fund assets are invested 60% in equity securities and 40% in debt securities. The investment strategy for the Plan is established by the Board of Trustees' Finance and Investment Committee to provide for growth of capital with a moderate level of volatility by investing assets per the target allocations. The investment policy is reviewed on a regular basis, to determine if the policy should be changed.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE G - RETIREMENT PLANS (CONTINUED)

The expected long-term rate of return for the pension assets is 5.5% as of September 30, 2023 and 2022. This rate was developed by estimating the expected long-term real return for each asset class within the portfolio, computing an average weighted real rate of return for the portfolio as a whole, reflecting both the Plan's expected asset class allocation and the correlations between the various asset classes.

The following tables set forth the Plan's funded status and amounts recognized in the statements of financial position as of September 30, 2023 and 2022:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Projected benefit obligation	\$ 30,263,000	\$ 33,133,000	\$ 10,961,000	\$ 10,569,000
Plan assets at fair value	36,993,000	35,184,000	-	-
Funded status	\$ 6,730,000	\$ 2,051,000	\$ (10,961,000)	\$ (10,569,000)
Items not yet recognized as a component of net periodic retirement cost:				
Net actuarial (gain) loss	\$ (1,052,000)	\$ 2,584,000	\$ (2,249,000)	\$ (2,200,000)
Prior service credit	-	-	(711,000)	(889,000)
	\$ (1,052,000)	\$ 2,584,000	\$ (2,960,000)	\$ (3,089,000)

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE G - RETIREMENT PLANS (CONTINUED)

The components of net periodic retirement cost for the years ended September 30, 2023 and 2022 consist of:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Operating - service cost	\$ 919,000	\$ 1,417,000	\$ 240,000	\$ 389,000
Nonoperating:				
Interest cost	1,605,000	1,137,000	554,000	393,000
Expected return on plan assets	(1,894,000)	(2,376,000)	-	-
Amortization of prior service credit	-	-	(178,000)	(178,000)
Amortization of actuarial loss	-	99,000	(73,000)	50,000
Settlement/curtailment expense	(122,000)	332,000	-	-
Total nonoperating	(411,000)	(808,000)	303,000	265,000
Net periodic retirement cost	\$ 508,000	\$ 609,000	\$ 543,000	\$ 654,000

Information regarding employer and employee contributions, benefits paid and weighted-average assumptions for the years ended September 30, 2023 and 2022 are set forth below:

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Employer contributions	\$ 1,552,000	\$ 1,507,000	\$ 281,000	\$ 204,000
Plan participant contributions and Medicare subsidy	-	-	102,000	108,000
Benefits paid	651,000	600,000	383,000	312,000
Weighted-average assumptions as of September 30, 2023 and 2022:				
Discount rate	5.59%	5.10%	5.65%	5.17%

Expected contributions for the pension benefit plan and other postretirement benefit plan for the fiscal year ended September 30, 2023 are as follows:

	Pension Benefits	Other Postretirement Benefits
Expected employer contributions	\$ 1,600,000	\$ 501,000
Expected employee contributions	-	100,000

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE G - RETIREMENT PLANS (CONTINUED)

Estimated future benefits reflecting expected future service for the pension benefit plan and other postretirement benefit plan for the fiscal years ending September 30, are as follows:

	Pension Benefits	Other Postretirement Benefits
2023	\$ 3,049,000	\$ 402,000
2024	2,555,000	441,000
2025	2,407,000	473,000
2026	2,235,000	503,000
2027	2,378,000	538,000
2028 - 2032	11,930,000	3,512,000

The expected cost of retiree health and life insurance benefits is charged to expense during the years that the employees render services. The assumed health care cost trend rate used to project the expected cost of benefits covered by the postretirement benefit plan for the year ended September 30, 2023 is 5.5% for medical costs and 9.0% for prescription costs. Thereafter, the trend rate is assumed to decrease annually until it reaches an ultimate rate of 4.5% in 2032 for medical and prescription costs.

We also maintain a 403(b) defined contribution plan, covering all employees who normally work more than 20 hours per week. Employees are immediately eligible to make contributions to the plan upon their date of hire and are eligible to receive matching employer contributions upon the completion of one year of service. We have the discretion to vary the employer matching contribution rate. In the years ended September 30, 2023 and 2022, we matched 100% of an employee's pre-tax contributions up to the first 3% of salary contributed to the plan, and 50% of an employee's contributions for the next 3% of salary contributed. Each employee directs the investment of the assets contributed to the plan on their behalf. Our matching contributions for each of the years ended September 30, 2023 and 2022 were \$371,000.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE H - LEASE OBLIGATIONS

[1] Finance lease obligation:

Effective January 1, 2009, we entered into a noncancellable finance lease for office and garage space with a minimum lease term of 30 years. The lease has two 10-year renewal options. The following is a schedule, by year, of future minimum lease payments under this lease, together with the present value of the net minimum lease payments, as of September 30, 2023:

<u>Year Ending September 30,</u>	
2024	\$ 204,000
2025	206,000
2026	206,000
2027	211,000
2028	212,000
Thereafter	<u>2,381,000</u>
Total minimum lease payments	3,420,000
Less: amount representing interest	<u>1,258,000</u>
Present value of minimum lease payments	<u><u>\$ 2,162,000</u></u>

The present value of net minimum lease payments shown above is calculated based on an interest rate of 6.16%.

[2] Operating lease obligations:

We are obligated under several noncancellable lease agreements for office equipment and do not have any renewal options. Leases with an initial term of twelve months or less are not recorded on the statement of financial position. Total lease expense for the years ended September 30, 2023 and 2022 was \$28,000 and \$27,000, respectively. The weighted-average remaining life of these leases was approximately 2.7 and 2.8 years and the discount rate was 8.25% and 3.25% as of September 30, 2023 and 2022, respectively. The present value of these lease obligations was \$49,000 and \$60,000 at September 30, 2023 and 2022, respectively, and is included in accounts payable and accrued expenses. A corresponding right-of-use asset is included in prepaid expenses and other assets at September 30, 2023 and 2022. The following is a schedule, by year, of future minimum lease payments under these leases, together with the present value of the net minimum lease payments, as of September 30, 2023:

<u>Year Ending September 30,</u>	
2024	\$ 20,000
2025	16,000
2026	13,000
2027	5,000
2028	<u>-</u>
Total minimum lease payments	54,000
Less: amount representing interest	<u>5,000</u>
Present value of minimum lease payments	<u><u>\$ 49,000</u></u>

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purposes:		
Program support services	\$ 313,000	\$ 261,000
Subject to the passage of time:		
Beneficial interests in other charitable trusts, the income from which is unrestricted	3,828,000	3,782,000
Promises to give that are not restricted by donors, but which are not available for expenditure until due	5,000	14,000
Endowments:		
Investments to be held in perpetuity, the income from which is restricted for program support services and facilities maintenance	7,217,000	7,216,000
Subject to endowment spending policy and appropriation:		
Program support services	322,000	109,000
Not subject to spending policy or appropriation:		
Beneficial interests in perpetual trusts held by others, the income from which is unrestricted	<u>31,373,000</u>	<u>33,093,000</u>
Total net assets with donor restrictions	<u>\$ 43,058,000</u>	<u>\$ 44,475,000</u>

During the years ended September 30, 2023 and 2022, net assets were released from donor restrictions as a result of satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors, as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions:		
Program support services	\$ 171,000	\$ 122,000
Restricted purpose spending rate appropriations:		
Program support services	<u>164,000</u>	<u>136,000</u>
	<u>\$ 335,000</u>	<u>\$ 258,000</u>

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes in net assets with donor restrictions for the year ended September 30, 2023 were as follows:

	<u>With Purpose and/or Timing Restrictions</u>	<u>Restrictions Perpetual in Nature</u>	<u>Total Net Assets with Donor Restrictions</u>
Operating changes:			
Contributions	\$ 214,000	\$ 1,000	\$ 215,000
Investment assets appropriated for operations	164,000	-	164,000
Net assets released from restrictions	<u>(335,000)</u>	<u>-</u>	<u>(335,000)</u>
	43,000	1,000	44,000
Other changes:			
Investment return, net	377,000	-	377,000
Investment assets appropriated for operations	(164,000)	-	(164,000)
Unrealized loss on beneficial interests in perpetual trusts held by others	-	(1,720,000)	(1,720,000)
Change in value of split-interest agreements	<u>46,000</u>	<u>-</u>	<u>46,000</u>
Increase (decrease) in net assets with donor restrictions	302,000	(1,719,000)	(1,417,000)
Net assets, beginning of year	<u>4,166,000</u>	<u>40,309,000</u>	<u>44,475,000</u>
Net assets, end of year	<u>\$ 4,468,000</u>	<u>\$ 38,590,000</u>	<u>\$ 43,058,000</u>

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE I - NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Changes in net assets with donor restrictions for the year ended September 30, 2022 was as follows:

	<u>With Purpose and/or Timing Restrictions</u>	<u>Restrictions Perpetual in Nature</u>	<u>Total Net Assets with Donor Restrictions</u>
Operating changes:			
Contributions	\$ 240,000	\$ 866,000	\$ 1,106,000
Investment assets appropriated for operations	136,000	-	136,000
Net assets released from restrictions	<u>(258,000)</u>	<u>-</u>	<u>(258,000)</u>
	118,000	866,000	984,000
Other changes:			
Investment return, net	(524,000)	-	(524,000)
Investment assets appropriated for operations	(136,000)	-	(136,000)
Unrealized gain on beneficial interests in perpetual trusts held by others	-	3,348,000	3,348,000
Change in value of split-interest agreements	<u>(858,000)</u>	<u>-</u>	<u>(858,000)</u>
(Decrease) increase in net assets with donor restrictions	(1,400,000)	4,214,000	2,814,000
Net assets, beginning of year	<u>5,566,000</u>	<u>36,095,000</u>	<u>41,661,000</u>
Net assets, end of year	<u>\$ 4,166,000</u>	<u>\$ 40,309,000</u>	<u>\$ 44,475,000</u>

NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS

Our endowment and board-designated net assets consist of funds established for a variety of purposes and include 13 donor-restricted funds and funds designated by the Board of Trustees to function as endowments (board-designated funds). Net assets associated with these funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

We have interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date to the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, we retain in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations and decrements to the permanent endowment made in accordance with the direction of the applicable donor gift instrument.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)

The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is included in net assets with donor restrictions, until those amounts are appropriated for expenditure by our Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, we consider 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 appreciation of investments;
- (6) other resources of the Organization; and
- (7) the investment policies of the Organization.

Endowment and board-designated net assets' composition by type as of September 30, 2023 and 2022 was as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>As of September 30, 2023:</u>			
Board-designated funds:			
Long-term investment fund	\$ 316,670,000	\$ -	\$ 316,670,000
Charitable gift annuity fund	2,410,000	-	2,410,000
Donor-restricted endowment funds:			
To be held in perpetuity	-	7,217,000	7,217,000
Unexpended income	-	322,000	322,000
	<u>\$ 319,080,000</u>	<u>\$ 7,539,000</u>	<u>\$ 326,619,000</u>
<u>As of September 30, 2022:</u>			
Board-designated funds:			
Long-term investment fund	\$ 290,192,000	\$ -	\$ 290,192,000
Charitable gift annuity fund	2,309,000	-	2,309,000
Donor-restricted endowment funds:			
To be held in perpetuity	-	7,216,000	7,216,000
Unexpended income	-	109,000	109,000
	<u>\$ 292,501,000</u>	<u>\$ 7,325,000</u>	<u>\$ 299,826,000</u>

Our Board of Trustees has adopted an investment spending rate policy for endowment and board-designated net assets designed to provide a predictable flow of funds to support annual operating activities. The spending policy is intended to balance current spending needs and preserve the future purchasing power of the endowment and board-designated net assets. Under the investment spending policy, the Board of Trustees appropriates endowment and board-designated funds to support operations at a level of 5% of the 12-quarter moving average of the fair value of such funds as of June 30 of the year immediately preceding the beginning of our fiscal year. The Board of Trustees sets the percentage spending rate and may approve special allocations from time to time, if determined to be necessary. Any excess of the amounts appropriated pursuant to this policy over actual amounts used by operations is returned to the endowment and board-designated funds for use in future years.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)

Changes in endowment and board-designated net assets for the year ended September 30, 2023 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment and board-designated funds, beginning of year	<u>\$ 292,501,000</u>	<u>\$ 7,325,000</u>	<u>\$ 299,826,000</u>
Donor contributions	-	1,000	1,000
Investment return, net	35,268,000	377,000	35,645,000
Investment assets appropriated for operations pursuant to spending rate policy	(15,060,000)	(164,000)	(15,224,000)
Payments under split-interest agreements	(142,000)	-	(142,000)
Appropriations of investment assets returned to board-designated funds	6,513,000	-	6,513,000
	<u>26,579,000</u>	<u>214,000</u>	<u>26,793,000</u>
Endowment and board-designated funds, end of year	<u>\$ 319,080,000</u>	<u>\$ 7,539,000</u>	<u>\$ 326,619,000</u>

Changes in endowment and board-designated net assets for the year ended September 30, 2022 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment and board-designated funds, beginning of year	<u>\$ 332,599,000</u>	<u>\$ 7,119,000</u>	<u>\$ 339,718,000</u>
Donor contributions	-	866,000	866,000
Investment return, net	(32,918,000)	(524,000)	(33,442,000)
Investment assets appropriated for operations pursuant to spending rate policy	(14,010,000)	(136,000)	(14,146,000)
Payments under split-interest agreements	(182,000)	-	(182,000)
Appropriations of investment assets returned to board-designated funds	7,012,000	-	7,012,000
	<u>(40,098,000)</u>	<u>206,000</u>	<u>(39,892,000)</u>
Endowment and board-designated funds, end of year	<u>\$ 292,501,000</u>	<u>\$ 7,325,000</u>	<u>\$ 299,826,000</u>

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE J - ENDOWMENT AND BOARD-DESIGNATED FUNDS (CONTINUED)

The return objectives, risk parameters and strategies we employ for achieving the objectives of our various endowments are:

[1] Donor-restricted endowments:

Certain donor-restricted endowments are invested in U.S. government securities or fixed-income securities pursuant to stipulations of the donors. We have adopted investment and spending practices for our remaining donor-restricted endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment, while seeking to preserve the original value of the gift.

[2] Board-designated funds:

The board-designated funds consist of (a) investments that have been board-designated for long-term investment purposes, and (b) investments segregated for use in meeting our obligations under charitable gift annuity contracts.

The Board of Trustees has adopted investment objectives and policies for the board-designated long-term endowment fund and has delegated oversight authority over this fund to the Trustee's Finance and Investment Committee (the "Committee"). The overall objective of this fund is to provide a reliable, recurring level of financial support of the Organization's programs, consistent with maintaining the fund's purchasing power over time and sufficient to ensure the Organization's prudent ability to plan strategically for the long-term continued success of its mission. The primary objective of the Committee is to seek stable total real returns over the long-term, while ensuring adequate current liquidity and cash flow to meet operating needs and with an emphasis on preservation of the fund's principal. The Committee has the discretion to determine the portfolio composition and asset allocation of the fund, both by asset class and within each class. As of September 30, 2023, the assets of this fund were invested as follows: stocks, stock mutual funds and collective investment trusts (58%), fixed-income and short-term investments (8%), commodity exchange-traded funds (2%) and limited partnerships (32%).

The Board of Trustees has authorized the establishment of a segregated fund to meet our obligations under charitable gift annuity contracts and adopted an investment policy for such funds designed to provide for long-term growth of capital. To achieve this objective, the policy targets a diversified asset allocation that places a greater emphasis on equity-based investments. As of September 30, 2022, the assets of this fund were invested 65% in stock mutual funds, 30% in bond mutual funds and short-term investments, 2% in REIT mutual funds, and 3% in cash and short-term investments.

Additionally, the Board of Trustees has authorized the establishment of two segregated funds that are expected to be spent down over time – a Capital Reserve Fund for major construction and renovation projects as well as emergency capital projects, and a Strategic Initiatives Fund to help fund projects identified in the Strategic Plan.

[3] Underwater endowments:

From time to time, certain donor-restricted endowment funds may have fair values below the amount required to be maintained by donors or pursuant to UPMIFA ("underwater endowments"). While we have interpreted UPMIFA to allow us to spend from an underwater endowment in accordance with prudent measures required by law, as a general rule we do not appropriate from underwater donor-restricted endowments. There was one underwater endowment which totaled \$230,000 and three underwater endowments which totaled \$370,000 as of September 30, 2023 and 2022, respectively.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE K - SIGNIFICANT RISKS AND UNCERTAINTIES

[1] Concentration of cash balances:

Our cash is maintained in bank deposit accounts, which, at times, may exceed federally insured limits. We have not experienced any losses in such accounts, and we believe we are not exposed to any significant credit risk on cash and cash equivalents.

[2] Litigation:

From time to time, we are a party to litigation and other claims in the ordinary course of our operating activities. In our opinion, the ultimate resolution of these matters will not have a significant effect on our financial position, changes in net assets or cash flows.

NOTE L - TRANSACTIONS WITH RELATED PARTY

During the years ended September 30, 2023 and 2022, senior executives of Morgan Stanley were trustees of the Organization. Fees paid to Morgan Stanley, in respect to investment funds managed by Morgan Stanley, for the years ended September 30, 2023 and 2022 were approximately \$93,000 and \$98,000, respectively.

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE M - FUNCTIONAL EXPENSES AND JOINT COSTS

The financial statements report certain categories of expenses that are attributable to our program services and supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square-footage basis, as well as salaries and wages, employee benefits, travel, purchased services and other costs, which are allocated on the basis of estimates of time and effort.

Expenses by functional classification for the years ended September 30, 2023 and 2022 consisted of the following:

	2023			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 10,235,000	\$ 712,000	\$ 1,128,000	\$ 12,075,000
Employee benefits	4,895,000	262,000	433,000	5,590,000
Utilities, repairs and other occupancy costs	2,345,000	123,000	49,000	2,517,000
Depreciation	2,259,000	104,000	30,000	2,393,000
Fundraising campaigns and events	-	-	2,221,000	2,221,000
Canine support and research	1,739,000	-	-	1,739,000
Interest	1,348,000	-	-	1,348,000
Travel, purchased services and other	1,832,000	360,000	514,000	2,706,000
	\$ 24,653,000	\$ 1,561,000	\$ 4,375,000	\$ 30,589,000

	2022			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 9,587,000	\$ 871,000	\$ 986,000	\$ 11,444,000
Employee benefits	4,737,000	280,000	415,000	5,432,000
Utilities, repairs and other occupancy costs	2,307,000	125,000	45,000	2,477,000
Depreciation	2,193,000	102,000	31,000	2,326,000
Fundraising campaigns and events	-	-	1,823,000	1,823,000
Canine support and research	1,490,000	-	-	1,490,000
Interest	1,370,000	-	-	1,370,000
Travel, purchased services and other	1,627,000	433,000	476,000	2,536,000
	\$ 23,311,000	\$ 1,811,000	\$ 3,776,000	\$ 28,898,000

THE SEEING EYE, INC.

Notes to Financial Statements September 30, 2023 and 2022

NOTE N - AVAILABILITY OF FINANCIAL RESOURCES

It is our practice to structure our financial assets to be available as general expenditures, liabilities and other cash obligations come due. We invest cash in excess of our daily requirements in short-term money market investments.

To meet our expenditure obligations, we rely upon contributions from our donors, legacies, trust income and investment assets appropriated for operations by our Board of Trustees. Although, the long-term investment fund of \$319,310,000 is board-designated (other than amounts appropriated for expenditure as part of our Board's annual spending rate policy described in Note J), it is included in the schedule below because these amounts could be made available by the Board if necessary to meet our cash requirements. Financial assets available within one year for general expenditure, such as operating expenses, scheduled lease payments, capital expenditures and other cash obligations, were as follows at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investments	\$ 326,619,000	\$ 299,826,000
Less: investments unavailable for general expenditures within one year, due to:		
Private equity fund lock-up provisions	(43,000,000)	(42,582,000)
Board-designated for charitable gift annuities	(2,410,000)	(2,309,000)
Restricted in perpetuity by donors	(7,217,000)	(7,216,000)
Donor purpose restrictions	(322,000)	(109,000)
	273,670,000	247,610,000
Cash and cash equivalents	3,163,000	5,012,000
Unconditional promises to give	5,000	14,000
	276,838,000	252,636,000
Net financial assets available within one year	<u>\$ 276,838,000</u>	<u>\$ 252,636,000</u>