VisionCorps and VisionCorps Foundation

Year Ended September 30, 2016, with Comparative Totals for Year Ended September 30, 2015

TROUT, EBERSOLE & GROFF LLP

CPAs | BUSINESS ADVISORS

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# VisionCorps and VisionCorps Foundation

Consolidated Financial Statements with Supplementary Information

Year Ended September 30, 2016, with Comparative Totals for Year Ended September 30, 2015

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# INDEPENDENT AUDITORS' REPORT

To the Board of Directors
**VisionCorps and VisionCorps Foundation**
Lancaster, Pennsylvania

**Report on Financial Statements**
We have audited the accompanying consolidated financial statements of **VisionCorps** (a nonprofit organization) and **VisionCorps Foundation** (a nonprofit organization)**,** which comprise the consolidated statement of financial position as of September 30, 2016, and the related consolidated statements of activities, functional expenses, and cash flows, for the year then ended, and the related notes to the consolidated financial statements.

***Management's Responsibility for the Consolidated Financial Statements***
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of **VisionCorps and VisionCorps Foundation** as of September 30, 2016, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**
We have previously audited the **VisionCorps and VisionCorps Foundation's** 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our opinion dated November 11, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report on Supplementary Information**
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules on pages 27-30 are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual entities, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Trout, Ebersole + Groff, LLP

November 14, 2016
Lancaster, Pennsylvania

TROUT, EBERSOLE & GROFF, LLP
Certified Public Accountants

# VisionCorps and VisionCorps Foundation

CONSOLIDATED STATEMENT of FINANCIAL POSITION

September 30, 2016, with Comparative Totals for September 30, 2015

## ASSETS

| | Unrestricted | | | | Total | |
|---|---|---|---|---|---|---|
| | Operating | Board Designated | Temporarily Restricted | Permanently Restricted | 2016 | 2015 |
| **CURRENT ASSETS** | | | | | | |
| Cash and Cash Equivalents | $ 1,917,463 | $ 41,318 | $ 10,879 | | $ 1,969,660 | $ 1,183,138 |
| Accounts Receivable | 1,026,192 | | | | 1,026,192 | 2,051,513 |
| Inventories | 1,435,443 | | | | 1,435,443 | 2,256,010 |
| Prepaid Expenses | 59,910 | | | | 59,910 | 140,678 |
| **Total Current Assets** | **4,439,008** | **41,318** | **10,879** | **-0-** | **4,491,205** | **5,631,339** |
| **INVESTMENTS** | | | | | | |
| Fulton Financial Advisors | 3,194,857 | 1,529,277 | 574,663 | | 5,298,797 | 3,237,341 |
| BNY Mellon | | 3,887,958 | | | 3,887,958 | 2,920,708 |
| Vollmer Bequest | | | 194,912 | | 194,912 | 186,164 |
| Peters Bequest | | | 467,252 | | 467,252 | 441,326 |
| Endowment | | 238,352 | | 73,134 | 311,486 | 293,150 |
| Robert Y. Garrett, Jr. Memorial | | | 4,920 | 10,000 | 14,920 | 14,342 |
| **Total Investments** | **3,194,857** | **5,655,587** | **1,241,747** | **83,134** | **10,175,325** | **7,093,031** |
| **PROPERTY and EQUIPMENT** | | | | | | |
| Property and Equipment | 15,824,034 | | | | 15,824,034 | 15,328,114 |
| Accumulated Depreciation | (6,837,693) | | | | (6,837,693) | (6,249,094) |
| **Net Property and Equipment** | **8,986,341** | **-0-** | **-0-** | **-0-** | **8,986,341** | **9,079,020** |
| **OTHER ASSETS** | | | | | | |
| Deposits on Equipment | 34,980 | | | | 34,980 | 96,833 |
| Beneficial Interest in Perpetual Trusts | | | | 1,222,710 | 1,222,710 | 1,216,975 |
| **Total Other Assets** | **34,980** | **-0-** | **-0-** | **1,222,710** | **1,257,690** | **1,313,808** |
| **TOTAL ASSETS** | **$16,655,186** | **$5,696,905** | **$1,252,626** | **$1,305,844** | **$24,910,561** | **$23,117,198** |

See notes to consolidated financial statements.

## VisionCorps and VisionCorps Foundation

CONSOLIDATED STATEMENT of FINANCIAL POSITION

(Continued)

September 30, 2016, with Comparative Totals for September 30, 2015

**LIABILITIES and NET ASSETS**

| | Unrestricted | | | | Total | |
|---|---|---|---|---|---|---|
| | Operating | Board Designated | Temporarily Restricted | Permanently Restricted | 2016 | 2015 |
| **CURRENT LIABILITIES** | | | | | | |
| Notes Payable - Current Portion | $ 68,307 | | | | $ 68,307 | $ 67,199 |
| Accounts Payable | 785,531 | | | | 785,531 | 703,864 |
| Accrued Payroll | 137,371 | | | | 137,371 | 123,215 |
| Accrued and Withheld Payroll Taxes | 11,580 | | | | 11,580 | 9,023 |
| Accrued Benefits | 180,864 | | | | 180,864 | 181,806 |
| Charitable Gift Annuities - Current Portion | 56,139 | | | | 56,139 | 4,031 |
| Deferred Revenue | | | | | -0- | 1,600 |
| **Total Current Liabilities** | **1,239,792** | **-0-** | **-0-** | **-0-** | **1,239,792** | **1,090,738** |
| **NON-CURRENT LIABILITIES** | | | | | | |
| Notes Payable, net of Current Portion | | | | | -0- | 68,307 |
| Charitable Gift Annuities | 178,178 | | | | 178,178 | 4,149 |
| **Total Non-Current Liabilities** | **178,178** | **-0-** | **-0-** | **-0-** | **178,178** | **72,456** |
| **TOTAL LIABILITIES** | **1,417,970** | **-0-** | **-0-** | **-0-** | **1,417,970** | **1,163,194** |
| **NET ASSETS** | | | | | | |
| Unrestricted | 15,237,216 | 5,696,905 | | | 20,934,121 | 19,702,986 |
| Temporarily Restricted | | | 1,252,626 | | 1,252,626 | 950,909 |
| Permanently Restricted | | | | 1,305,844 | 1,305,844 | 1,300,109 |
| **TOTAL NET ASSETS** | **15,237,216** | **5,696,905** | **1,252,626** | **1,305,844** | **23,492,591** | **21,954,004** |
| **TOTAL LIABILITIES and NET ASSETS** | **$ 16,655,186** | **$ 5,696,905** | **$ 1,252,626** | **$ 1,305,844** | **$ 24,910,561** | **$ 23,117,198** |

See notes to consolidated financial statements.

## VisionCorps and VisionCorps Foundation

CONSOLIDATED STATEMENT of ACTIVITIES

Year Ended September 30, 2016, with Comparative Totals for Year Ended September 30, 2015

| | Unrestricted | | | | Total | |
|---|---|---|---|---|---|---|
| | Operating | Board Designated | Temporarily Restricted | Permanently Restricted | 2016 | 2015 |
| **SUPPORT** | | | | | | |
| Contributions: | | | | | | |
| Public | $ 758,666 | | $ 266,454 | | $ 1,025,120 | $ 554,519 |
| In-Kind Contributions | 45,623 | | | | 45,623 | 45,623 |
| Fees for Services and Grants | 210,741 | | | | 210,741 | 267,386 |
| **Total Support** | **1,015,030** | **-0-** | **266,454** | **-0-** | **1,281,484** | **867,528** |
| **REVENUE** | | | | | | |
| Enterprise Group Sales | 18,961,005 | | | | 18,961,005 | 21,329,400 |
| Client Services | 10,460 | | | | 10,460 | 8,046 |
| Investment Income (Loss) | 494,097 | 277,407 | 35,263 | | 806,767 | (88,142) |
| Other Income | 90,082 | | | | 90,082 | 63,724 |
| Change in Value of Beneficial Interest in Perpetual Trusts | | | | 5,735 | 5,735 | (124,787) |
| Change in Value of Split Interest Agreements | (15,727) | | | | (15,727) | (825) |
| **Total Revenue** | **19,539,917** | **277,407** | **35,263** | **5,735** | **19,858,322** | **21,187,416** |
| **Total Support and Revenue** | **20,554,947** | **277,407** | **301,717** | **5,735** | **21,139,806** | **22,054,944** |
| **FUNCTIONAL EXPENSES** | | | | | | |
| Program Expenses: | | | | | | |
| Enterprise Group | 17,470,920 | | | | 17,470,920 | 19,422,952 |
| Rehabilitation | 941,965 | | | | 941,965 | 1,030,272 |
| Youth Services | 340,439 | | | | 340,439 | 337,249 |
| Grant Making | 25,591 | | | | 25,591 | 24,950 |
| Education and Public Awareness | 40,940 | | | | 40,940 | 81,906 |
| Development | 184,320 | | | | 184,320 | 282,211 |
| Administration | 747,999 | | | | 747,999 | 726,179 |
| **Total Functional Expenses** | **19,752,174** | **-0-** | **-0-** | **-0-** | **19,752,174** | **21,905,719** |
| **Changes in Net Assets Before Bequests (Carried Forward)** | **$ 802,773** | **$ 277,407** | **$ 301,717** | **$ 5,735** | **$ 1,387,632** | **$ 149,225** |

See notes to consolidated financial statements.

## VisionCorps and VisionCorps Foundation

CONSOLIDATED STATEMENT of ACTIVITIES

(Continued)

Year Ended September 30, 2016, with Comparative Totals for Year Ended September 30, 2015

| | Unrestricted | | | | Total | |
|---|---|---|---|---|---|---|
| | Operating | Board Designated | Temporarily Restricted | Permanently Restricted | 2016 | 2015 |
| **Changes in Net Assets Before Bequests (Brought Forward)** | **$ 802,773** | **$ 277,407** | **$ 301,717** | **$ 5,735** | **$ 1,387,632** | **$ 149,225** |
| **BEQUESTS** | **150,955** | | | | **150,955** | **210,358** |
| **CHANGES in NET ASSETS** | **953,728** | **277,407** | **301,717** | **5,735** | **1,538,587** | **359,583** |
| **NET ASSETS** | | | | | | |
| Beginning of Year | 14,283,488 | 5,419,498 | 950,909 | 1,300,109 | 21,954,004 | 21,594,421 |
| **End of Year** | **$ 15,237,216** | **$ 5,696,905** | **$ 1,252,626** | **$ 1,305,844** | **$ 23,492,591** | **$ 21,954,004** |

See notes to consolidated financial statements.

## VisionCorps and VisionCorps Foundation

CONSOLIDATED STATEMENT of FUNCTIONAL EXPENSES

Year Ended September 30, 2016, with Comparative Totals for Year Ended September 30, 2015

| | Program Expenses | | | | | | | Total Expenses | |
|---|---|---|---|---|---|---|---|---|---|
| | Enterprise Group | Rehabilitation | Youth Services | Grant Making | Education and Public Awareness | Development | Administration | 2016 | 2015 |
| **EXPENSES** | | | | | | | | | |
| Salaries and Wages | $ 1,573,552 | $ 525,070 | $ 211,342 | $ 8,829 | $ 34,037 | $ 64,620 | $ 296,435 | $ 2,713,885 | $ 2,731,049 |
| Direct Labor | 1,470,351 | | | | | | | 1,470,351 | 1,419,112 |
| Payroll Taxes | 210,371 | 38,456 | 16,463 | 794 | 3,061 | 5,812 | 21,186 | 296,143 | 292,335 |
| Other Employee Benefits | 395,528 | 80,807 | 17,909 | 102 | 394 | 748 | 35,647 | 531,135 | 505,121 |
| Pension Plan Contributions | 136,958 | 25,106 | 10,488 | 510 | 1,968 | 3,735 | 35,941 | 214,706 | 215,789 |
| Indirect Labor and Taxes | 100,992 | | | | | | | 100,992 | 104,843 |
| Professional Services - Other | 164,674 | 68,300 | 11,965 | | | | 113,771 | 358,710 | 282,874 |
| Administrative Fees | | | | | | | 68,483 | 68,483 | 57,139 |
| Office and Janitorial Supplies | 20,830 | 5,352 | 1,647 | | | | 3,336 | 31,165 | 43,218 |
| Equipment Repairs, Rental, and Purchases | 63,361 | 5,615 | 1,244 | | | | 10,166 | 80,386 | 63,331 |
| Items for Resale and Shipping | 11,570,327 | 6,497 | | | | | | 11,576,824 | 13,809,267 |
| Sales Commissions and Licensing Fees | 601,705 | | | | | | | 601,705 | 688,631 |
| Telephone | 25,661 | 8,448 | 1,898 | | | | 8,400 | 44,407 | 42,653 |
| Postage and Mailing | 3,154 | 1,119 | 372 | | | | 2,670 | 7,315 | 5,799 |
| Utilities | 175,997 | 15,695 | 8,752 | | | | 8,649 | 209,093 | 254,480 |
| Building Repairs and Maintenance | 57,756 | 3,966 | 2,868 | | | | 3,601 | 68,191 | 44,875 |
| Maintenance Contracts | 141,350 | 8,513 | 4,100 | | | | 4,073 | 158,036 | 161,503 |
| Insurance | 64,953 | 11,452 | 3,612 | | | | 11,960 | 91,977 | 82,782 |
| Operating Supplies | 20,642 | 20,454 | 6,781 | | | | | 47,877 | 48,551 |
| Travel and Automobile Expenses | 35,267 | 16,920 | 9,280 | | | | 25,903 | 87,370 | 81,380 |
| Seminars | 12,411 | 1,453 | 1,369 | | | | 14,264 | 29,497 | 30,356 |
| Organization Dues and Subscriptions | 964 | 470 | 26 | | | | 6,950 | 8,410 | 8,310 |
| Assistance to Individuals | | 7,362 | | 15,000 | | | | 22,362 | 19,758 |
| Warehouse/Office Rental | 96,907 | | | | | | | 96,907 | 80,162 |
| Miscellaneous and Public Relations | 5,817 | 4,723 | 1,019 | | | | 31,202 | 42,761 | 32,426 |
| Interest - Operations | 1,703 | | | | | | 18 | 1,721 | 2,933 |
| Depreciation | 470,589 | 70,593 | 29,304 | 356 | 1,480 | 4,474 | 19,322 | 596,118 | 527,489 |
| ISO Certification | 6,769 | | | | | | | 6,769 | 4,586 |
| Sales and Marketing | 42,331 | 15,594 | | | | | 6,022 | 63,947 | 31,418 |
| Loss on Sale of Assets | | | | | | | | -0- | 15,138 |
| Donations | | | | | | | 20,000 | 20,000 | 20,000 |
| Fundraising Expenses | | | | | | 104,931 | | 104,931 | 198,411 |
| **2016 Total Expenses** | **17,470,920** | **941,965** | **340,439** | **25,591** | **40,940** | **184,320** | **747,999** | **$19,752,174** | |
| **2015 Total Expenses** | **$ 19,422,952** | **$ 1,030,272** | **$ 337,249** | **$ 24,950** | **$ 81,906** | **$ 282,211** | **$ 726,179** | | **$ 21,905,719** |

See notes to consolidated financial statements.

# VisionCorps and VisionCorps Foundation

CONSOLIDATED STATEMENT of CASH FLOWS

Year Ended September 30, 2016, with Comparative Totals for Year Ended September 30, 2015

| | 2016 | 2015 |
|---|---|---|
| **CASH FLOWS from OPERATING ACTIVITIES** | | |
| Changes in Net Assets | $ 1,538,587 | $ 359,583 |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities: | | |
| Realized and Unrealized (Gain) Loss on Investments | (521,424) | 334,940 |
| Depreciation | 596,118 | 527,489 |
| Net Loss on Disposal of Inventory | -0- | 15,138 |
| Change in Value of Beneficial Interest in Perpetual Trusts | (5,735) | 124,787 |
| Change in Value of Split Interest Agreements | 15,727 | 825 |
| Decrease in: | | |
| Accounts Receivable | 1,025,321 | 335,292 |
| Inventories | 820,567 | 461,869 |
| Prepaid Expenses | 80,768 | 20,520 |
| Increase (Decrease) in: | | |
| Accounts Payable | 81,667 | (1,206,725) |
| Accrued Payroll, Taxes, and Benefits | 15,771 | 47,688 |
| Deferred Revenue | (1,600) | (11,014) |
| **Net Cash Provided by Operating Activities** | **3,645,767** | **1,010,392** |
| **CASH FLOWS from INVESTING ACTIVITIES** | | |
| Deposits on Equipment | (34,980) | (96,833) |
| Purchase of Investments | (6,201,969) | (3,313,190) |
| Proceeds from Sale of Investments | 3,641,099 | 2,178,144 |
| Purchase of Property and Equipment | (406,606) | (768,553) |
| Proceeds from Sale of Property and Equipment | -0- | 8,602 |
| **Net Cash Used by Investing Activities** | **(3,002,456)** | **(1,991,830)** |
| **CASH FLOWS from FINANCING ACTIVITIES** | | |
| Payments Made on Split Interest Agreements | (23,433) | (5,260) |
| Proceeds from Split Interest Agreements | 233,843 | -0- |
| Principal Payments on Long-Term Borrowings | (67,199) | (66,109) |
| **Net Cash Provided (Used) by Financing Activities** | **143,211** | **(71,369)** |
| **INCREASE (DECREASE) in CASH and CASH EQUIVALENTS** | **786,522** | **(1,052,807)** |
| **CASH and CASH EQUIVALENTS** | | |
| Beginning of Year | 1,183,138 | 2,235,945 |
| **End of Year** | **$ 1,969,660** | **$ 1,183,138** |
| **SUPPLEMENTAL DISCLOSURE of CASH FLOW INFORMATION** | | |
| Cash Payments for Interest | 1,721 | 2,933 |

See notes to consolidated financial statements.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

### Nature of the Organization

**VisionCorps** (Agency) is a charitable organization providing a variety of employment, educational, clinical, and social services to sight impaired individuals in Lancaster, Lebanon, Berks, (through June 2016) and Chester Counties, and offers employment opportunities in Philadelphia and Mechanicsburg, Pennsylvania. The Organization also provided services to sight impaired individuals in Somerset County through June 2015. The mission of the **VisionCorps Foundation** (Foundation) is to provide financial support for projects that support employment opportunity, career development, education, and research for the benefit of persons who are blind.

### Principles of Consolidation

The consolidated financial statements include the accounts of the Agency and the Foundation, a controlled, related affiliate (together, the Consolidated Group). The Foundation is a controlled affiliate of the Agency, because the Agency's Board of Directors appoints the members of the Board of Trustees of the Foundation. Furthermore, there is an element of economic interest in that all grant requests made to the Foundation by the Agency that are necessary to maintain the financial stability of the Agency must be given priority, and must be considered before the Foundation may consider grant requests from other eligible applicants. While principal and earnings of the Foundation may be used to provide grants to the Agency, only earnings may be used to provide grants to other organizations and programs. In accordance with the FASB ASC Topic 958, *Not-For-Profit Entities*, consolidation is required. All material interorganizational accounts and transactions have been eliminated.

### Basis of Presentation

The Consolidated Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Current US GAAP standards are contained in the Accounting Standards Codification (ASC) as set forth by the Financial Accounting Standards Board (FASB).

The consolidated financial statement presentation follows the recommendations of FASB ASC Topic 958, *Not-For-Profit Entities.* Under this standard, the Consolidated Group is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### Basis of Accounting

The consolidated financial statements of the Consolidated Group have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

### Financial Statement Presentation

Information for the year ended September 30, 2015, is not intended to be a complete presentation in accordance with US GAAP and is presented for comparative purposes only.

### Use of Estimates

The process of preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to the valuation of contributions and accounts receivable, fair value of investments and beneficial interest in perpetual trusts, depreciation of property and equipment, charitable gift annuities, the allocation of expenses to the various functional areas of the Consolidated Group's operations, and other unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from estimated amounts.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**
For purposes of the consolidated statement of cash flows, the Consolidated Group considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable**
Accounts receivable that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at outstanding principal adjusted for charge offs. Account balances generally are written off when management judges such balances uncollectible, such as an account in bankruptcy. Management continually monitors and reviews accounts receivable balances.

The Consolidated Group records an allowance for doubtful accounts relative to its accounts receivable and promises to give balances. The allowance for doubtful accounts is based on management's assessment of the collectability of specific balances and the aging of the receivables and promises to give. If there is a deterioration of a customer or major contributor's financial status or actual defaults are higher than the historical experience, management's estimates of the recoverability of amounts due the Consolidated Group could be adversely affected. No allowance was deemed necessary at September 30, 2016 and 2015.

**Promises to Give**
Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Bequests receivable are receivable in less than one year.

Contributions receivable that are expected to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a rate of return that a market participant would demand at the date of the promise to give. Amortization of the discounts is included in contribution revenue. There were no contributions receivable at September 30, 2016 or 2015.

**Inventories**
Inventories consist mainly of workshop raw materials and finished goods. Raw material inventories are recorded at lower of FIFO cost or market. Finished goods inventory is recorded at cost and an allocation for applicable overhead.

**Investments**
Investments are recorded at fair value in the consolidated statement of financial position in accordance with FASB ASC Subtopic 958-320, *Not-For-Profit Entities - Investments - Debt and Equity Securities*. Gains and losses on investments are required to be reported in the consolidated statement of activities as increases or decreases in unrestricted net assets unless restrictions are stipulated by the donor or the law.

The Consolidated Group has adopted FASB ASC Topic 820, *Fair Value Measurements.* This standard defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**
The Consolidated Group capitalized assets with a cost or fair market value in excess of $5,000 and a useful life of at least five years. The cost of maintenance and repairs is expensed as incurred; expenditures for betterments which extend the useful life of property and equipment are capitalized. Property and equipment are capitalized at cost or fair market value at the date of donation and depreciated on the straight-line basis over their estimated useful lives. The Consolidated Group does not imply time restrictions with respect to donations of long-lived assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The estimated useful lives of significant property and equipment categories are as follows:

| | |
|---|---|
| Building | 40 Years |
| Vehicles | 2 to 5 Years |
| Equipment | 3 to 10 Years |
| Office Furniture | 3 to 10 Years |

**Restricted and Unrestricted Revenue and Support**
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when the purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Restricted donations whose restrictions are met in the same reporting period are accounted for as unrestricted support, except for certain grant revenues, where the grantor has stipulated that revenues be reported as temporarily restricted and released from restrictions.

**Donated Services**
Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

**Enterprise Group Contracts**
The Consolidated Group records profits or losses on its contracts on the completed contract method of accounting on a shipment by shipment basis. Under this method, revenue and costs are accumulated during the period of processing, but no profits are recorded before completion. For tangible goods, the contract is considered complete upon delivery or shipment, depending upon the F.O.B. point. For service-type contracts, the contract is considered complete when delivered to and accepted by the customer. Operating expenses, including costs and administrative expenses, are charged as incurred to operations and not allocated to contract costs.

**Income Tax Status**
The Agency and the Foundation operate as nonprofit organizations and are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and are not private foundations as determined by the Internal Revenue Service.

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Uncertain Tax Positions**

Under provisions of FASB ASC Topic 740, *Income Taxes*, related to accounting for uncertainty in income taxes, the Consolidated Group recognizes the benefits or liability associated with a tax position during the period which, based on all available evidence, management believes it is "more likely than not" (greater than fifty percent probability) that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. The portion of the benefits associated with income tax positions claimed on income tax returns that does not meet the above threshold is reflected as a liability for uncertain tax positions in the accompanying consolidated statement of financial position. Interest and penalties associated with uncertain tax positions (those not meeting the fifty percent probability threshold) are recorded in the consolidated statement of activities and any related accrual is recognized on the consolidated statement of financial position. Tax positions that are other than routine business transactions are reevaluated on an annual basis for both potential recognition and derecognition. Generally, the statute of limitations for filed returns is three years from the date of filing.

Management is not aware of any uncertain tax positions taken by the Consolidated Group.

**Concentration of Credit Risk**

Financial instruments that potentially subject the Consolidated Group to concentration of credit risk consist principally of cash deposits, investments with financial institutions and accounts receivable. The Consolidated Group maintains its cash and cash equivalents and investments in various financial institutions where the account balances may at times exceed FDIC and SIPC insured limits. The Consolidated Group grants credit to its customers without collateral, all of whom are located in various regions throughout the United States.

Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the value of investments could occur in the near term. Such changes could materially affect investment balances.

**Sales Tax**

Sales taxes assessed by a governmental authority on applicable revenue-producing transactions between the Agency and its customers are recorded on a net basis, excluding both the collection and payment of such taxes from the Agency's revenues and expenses.

**Shipping and Handling**

Shipping and handling costs are included in items for resale and shipping on the accompanying consolidated statement of functional expenses. Shipping and handling costs amounted to $501,307 and $334,192 for the years ended September 30, 2016 and 2015, respectively.

**Accounting Standards Not Yet Adopted**

In August 2016, the Financial Accounting Standards Board Issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (ASU 2016-14) which improves current reporting requirements for not-for-profit entities. The most significant provisions of the ASU will require not-for-profit entities to: 1) report only two classes of net assets, 2) change the cash flow presentation or disclosure requirements for entities using the direct method of presenting cash flows, and 3) provide enhanced disclosure related to liquidity, underwater endowments, board designated net assets and time-restricted net assets. This update is effective for fiscal year beginning after December 15, 2017. The Consolidated Group is currently assessing the impact the adoption of ASU 2016-14 will have on its financial statements.

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Accounting Standards Not Yet Adopted (Continued)

In May 2014, the Financial Accounting Standards Board Issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09) which requires entities to recognize revenue when a customer obtains control rather than when entities have transferred substantially all risks and rewards of a good or service. This update is effective for annual reporting periods beginning on or after December 15, 2018. The Consolidated Group is currently assessing the impact the adoption of ASU 2014-09 will have on its financial statements.

## NOTE 2 - INVENTORIES

Inventories in the enterprise group as of September 30, 2016 and 2015, consist of the following:

| | 2016 | 2015 |
|---|---|---|
| Raw Materials | 858,211 | 1,068,562 |
| Finished Goods | 577,232 | 1,187,448 |
| | **1,435,443** | **2,256,010** |

## NOTE 3 - INVESTMENTS

A comparison of cost and fair value of investments at September 30, 2016 and 2015, is as follows:

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Cost** | **Market** | **Cost** | **Market** |
| Fulton Financial Advisors | 4,315,951 | 4,670,672 | 2,757,582 | 2,910,901 |
| BNY Mellon | 3,680,291 | 3,887,958 | 2,891,585 | 2,920,708 |
| Fulton Scholarship | 201,384 | 204,214 | 173,652 | 167,510 |
| Fulton Youth Services | 417,789 | 423,911 | 164,998 | 158,930 |
| Vollmer Bequest | 140,982 | 194,912 | 144,901 | 186,164 |
| Peters Bequest | 362,325 | 467,252 | 362,457 | 441,326 |
| Endowment | 303,733 | 311,486 | 305,531 | 293,150 |
| Robert Y. Garrett, Jr. Memorial | 15,095 | 14,920 | 14,655 | 14,342 |
| | **9,437,550** | **10,175,325** | **6,815,361** | **7,093,031** |

A breakdown of the fair value of investments at September 30, 2016 and 2015, is as follows. Fair values are determined by quoted market prices.

| | 2016 | 2015 |
|---|---|---|
| Money Market Funds | 141,184 | 152,856 |
| Mutual Funds | 6,271,800 | 4,141,470 |
| Fixed Income Securities | 3,083,467 | 2,219,549 |
| Marketable Equity Securities (Common Stocks) | 678,874 | 579,156 |
| | **10,175,325** | **7,093,031** |

**NOTE 4 - FAIR VALUE MEASUREMENTS**

The framework for measuring fair value 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 or 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 adjusted quoted prices for identical assets or liabilities in active markets that the Consolidated Group has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- 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.

If the assets or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

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

The asset 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 at September 30, 2016 and 2015.

*Common Stocks, Money Market Funds, and Fixed Income Securities:* Valued at the closing price reported in the principal market on which the individual securities are traded.

*Split Interest Agreements:* Valued using the income approach based on the net present value of expected future cash flows under the agreements.

*Mutual Funds:* Valued at the net asset value (NAV) of shares held by the Consolidated Group at year end.

*Beneficial Interests in Perpetual Trusts:* Valued at the present value of the estimated cash flows of the underlying assets in trust.

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 the Consolidated Group believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)**

The following tables set forth by level, within the fair value hierarchy, the Consolidated Group's assets that are measured at fair value on a recurring basis as of September 30, 2016 and 2015:

| **2016** | **Level 1** | **Level 2** | **Level 3** | **Total Fair Value** |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Beneficial Interest in Perpetual Trusts** | | | 1,222,710 | 1,222,710 |
| | | | | |
| **Fixed Income Securities:** | | | | |
| Government Agency Obligations | | 2,485 | | 2,485 |
| Municipal Bonds and Notes: | | | | |
| Bristol Township | | 8,683 | | 8,683 |
| Meadville, PA | | 8,347 | | 8,347 |
| Pikeland, PA | | 8,549 | | 8,549 |
| Corporate Bonds and Notes | 38,859 | | | 38,859 |
| Bond Funds | 139,956 | | | 139,956 |
| Multi-Sector | 1,704,678 | | | 1,704,678 |
| Other Fixed Income Securities | 1,171,910 | | | 1,171,910 |
| | | | | |
| **Mutual Funds and Money Market Funds:** | | | | |
| Equity | 653,030 | | | 653,030 |
| International and Emerging Markets | 1,724,323 | | | 1,724,323 |
| Large Cap | 1,889,292 | | | 1,889,292 |
| Micro Cap | 2,351 | | | 2,351 |
| Mid Cap | 347,580 | | | 347,580 |
| Money Market | 141,184 | | | 141,184 |
| Alternative and Liquid Real Assets | 992,504 | | | 992,504 |
| Real Estate | 74,512 | | | 74,512 |
| Small Blend | 50,910 | | | 50,910 |
| Small Growth | 12,354 | | | 12,354 |
| Small Cap | 524,944 | | | 524,944 |
| | | | | |
| **Common Stocks:** | | | | |
| Consumer Goods | 86,700 | | | 86,700 |
| Energy | 37,483 | | | 37,483 |
| Financial | 80,691 | | | 80,691 |
| Healthcare | 123,472 | | | 123,472 |
| Industrials | 26,860 | | | 26,860 |
| Materials | 24,884 | | | 24,884 |
| Services | 118,854 | | | 118,854 |
| Technology | 155,332 | | | 155,332 |
| Utilities | 24,598 | | | 24,598 |
| | **10,147,261** | **28,064** | **1,222,710** | **11,398,035** |

**NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)**

| 2015 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Beneficial Interest in Perpetual Trusts** | | | 1,216,975 | 1,216,975 |
| **Fixed Income Securities:** | | | | |
| Government Agency Obligations | | 2,487 | | 2,487 |
| Municipal Bonds and Notes: | | | | |
| Bristol Township | | 8,551 | | 8,551 |
| Kutztown, PA | | 3,373 | | 3,373 |
| Meadville, PA | | 8,313 | | 8,313 |
| Pikeland, PA | | 8,524 | | 8,524 |
| Corporate Bonds and Notes | 55,656 | | | 55,656 |
| Bond Funds | 138,051 | | | 138,051 |
| Multi-Sector | 1,031,594 | | | 1,031,594 |
| Other Fixed Income Securities | 963,000 | | | 963,000 |
| **Mutual Funds and Money Market Funds:** | | | | |
| Equity | 560,671 | | | 560,671 |
| International and Emerging Markets | 1,037,218 | | | 1,037,218 |
| Large Cap | 1,307,697 | | | 1,307,697 |
| Micro Cap | 2,014 | | | 2,014 |
| Mid Cap | 233,897 | | | 233,897 |
| Money Market | 152,856 | | | 152,856 |
| Alternative and Liquid Real Assets | 522,028 | | | 522,028 |
| Real Estate | 57,462 | | | 57,462 |
| Small Blend | 44,118 | | | 44,118 |
| Small Growth | 33,078 | | | 33,078 |
| Small Cap | 343,287 | | | 343,287 |
| **Common Stocks:** | | | | |
| Consumer Goods | 76,639 | | | 76,639 |
| Energy | 42,077 | | | 42,077 |
| Financial | 79,768 | | | 79,768 |
| Healthcare | 104,320 | | | 104,320 |
| Industrials | 26,721 | | | 26,721 |
| Materials | 14,971 | | | 14,971 |
| Services | 104,856 | | | 104,856 |
| Technology | 106,547 | | | 106,547 |
| Utilities | 23,257 | | | 23,257 |
| | **7,061,783** | **31,248** | **1,216,975** | **8,310,006** |

**Level 1 and 2 Transfers**

No transfers in and out of levels 1 and 2 occurred during the years ended September 30, 2016 and 2015.

**NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)**

**Level 3 Gains and Losses**
The following table sets forth a summary of changes in the fair values of the Consolidated Group's level 3 assets for the years ended September 30, 2016 and 2015:

| | Beneficial Interest In Perpetual Trusts |
|---|---|
| **Balance - September 30, 2014** | **1,341,762** |
| Unrealized Losses | (191,160) |
| Realized Gains | 69,810 |
| Receipts | 65,529 |
| Interest and Dividends | 24,847 |
| Distributions | (76,665) |
| Fees | (17,148) |
| **Balance - September 30, 2015** | **1,216,975** |
| Unrealized Gains | 23,314 |
| Realized Gains | 23,173 |
| Receipts | 21,351 |
| Interest and Dividends | 24,536 |
| Distributions | (70,991) |
| Fees | (15,648) |
| **Balance - September 30, 2016** | **1,222,710** |

These gains are reported as changes in the value of beneficial interest in perpetual trusts in the accompanying consolidated financial statements.

The following table sets forth, by level within the fair value hierarchy, the Consolidated Group's liabilities that are measured at fair value on a non-recurring basis as of September 30, 2016 and 2015.

| | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---|---|---|---|
| **2016** | | | | |
| **Liabilities:** | | | | |
| **Split Interest Agreements (Charitable Gift Annuities)** | -0- | -0- | 234,317 | 234,317 |
| **2015** | | | | |
| **Liabilities:** | | | | |
| **Split Interest Agreements (Charitable Gift Annuities)** | -0- | -0- | 8,180 | 8,180 |

**NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)**

The fair values of split interest agreements are determined based upon discounted expected future cash flows over the actuarially determined life expectancies of the annuitants. The fair values of contributions receivable are determined based on discounted expected future cash flows.

There were no new assets or liabilities acquired which were required to be measured at fair value on a non-recurring basis as of or during the year ended September 30, 2015. During the year ending September 30, 2016, the Consolidated Group accepted a split interest agreement, which was valued at fair value upon initial recognition of the contribution (Note 8).

**NOTE 5 - PROPERTY and EQUIPMENT**

Property and equipment as of September 30, 2016 and 2015, are as follows:

| 2016 | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| Office Furniture and Fixtures | 689,708 | 587,637 | 102,071 |
| Vehicles | 240,865 | 200,647 | 40,218 |
| Enterprise Group Equipment | 2,231,845 | 1,449,820 | 782,025 |
| Client Services Equipment | 54,329 | 45,162 | 9,167 |
| Building | 5,686,774 | 2,184,995 | 3,501,779 |
| Building - Capital Campaign | 6,589,728 | 2,278,446 | 4,311,282 |
| Leasehold Improvements | 115,405 | 90,986 | 24,419 |
| Land | 215,380 | -0- | 215,380 |
| | **15,824,034** | **6,837,693** | **8,986,341** |

| 2015 | Cost | Accumulated Depreciation | Net Book Value |
|---|---|---|---|
| Office Furniture and Fixtures | 638,336 | 546,213 | 92,123 |
| Vehicles | 240,865 | 172,921 | 67,944 |
| Enterprise Group Equipment | 2,160,499 | 1,303,989 | 856,510 |
| Client Services Equipment | 47,628 | 41,464 | 6,164 |
| Building | 5,320,273 | 1,979,986 | 3,340,287 |
| Building - Capital Campaign | 6,589,728 | 2,119,588 | 4,470,140 |
| Leasehold Improvements | 115,405 | 84,933 | 30,472 |
| Land | 215,380 | -0- | 215,380 |
| | **15,328,114** | **6,249,094** | **9,079,020** |

## NOTE 6 - BENEFICIAL INTEREST in PERPETUAL TRUSTS

Investments for the trusts significantly benefiting the Consolidated Group are included on the following schedules as of September 30, 2016 and 2015. The Consolidated Group is an income beneficiary of the trusts noted below in the capacity of trusts under will.

| 2016 Trust | Statement Date | Consolidated Group Interest | Bank | Value at Inception | Fair Values Cash Equivalents | Fixed Investments | Equities | Total | Income Net of Trust Fees |
|---|---|---|---|---|---|---|---|---|---|
| Income Beneficiary: | | | | | | | | | |
| Raymond S. Slagen | 9/30/16 | 50% | BNY Mellon | 310,285 | 12,764 | -0- | 262,652 | 275,416 | 13,749 |
| * James B. Doble | 9/30/16 | 50% | Wells Fargo | 204,901 | 8,646 | 41,850 | 144,785 | 195,281 | 7,500 |
| Harry Andrews | 9/30/16 | 11.5% | Fulton | 3,986 | -0- | -0- | -0- | -0- | 7,776 |
| Paul M. Kauffman | 9/30/16 | 8.3% | PNC | 1,307 | 639 | 6,004 | 11,514 | 18,157 | 842 |
| * Frank Feagley | 9/30/16 | 25% | BNY Mellon | 798,295 | 12,023 | 133,789 | 549,112 | 694,924 | 42,000 |
| Women's Auxiliary - Lanc. Heart Assoc. | 9/30/16 | 20% | BNY Mellon | 51,873 | 1,929 | -0- | 37,003 | 38,932 | 1,628 |
| | | | | **1,370,647** | **36,001** | **181,643** | **1,005,066** | **1,222,710** | **73,495** |

| 2015 Trust | Statement Date | Consolidated Group Interest | Bank | Value at Inception | Fair Values Cash Equivalents | Fixed Investments | Equities | Total | Income Net of Trust Fees |
|---|---|---|---|---|---|---|---|---|---|
| Income Beneficiary: | | | | | | | | | |
| Raymond S. Slagen | 9/30/15 | 50% | BNY Mellon | 310,285 | 6,657 | -0- | 268,059 | 274,716 | 12,841 |
| * James B. Doble | 9/30/15 | 50% | Wells Fargo | 204,901 | 6,581 | 30,756 | 151,746 | 189,083 | 14,470 |
| Harry Andrews | 9/30/15 | 11.5% | Fulton | 3,986 | 3,408 | -0- | 166 | 3,574 | 428 |
| Paul M. Kauffman | 9/30/15 | 8.3% | PNC | 1,307 | 193 | 5,831 | 11,419 | 17,443 | 824 |
| * Frank Feagley | 9/30/15 | 25% | BNY Mellon | 798,295 | 2,402 | 155,751 | 535,448 | 693,601 | 44,250 |
| Women's Auxiliary - Lanc. Heart Assoc. | 9/30/15 | 20% | BNY Mellon | 51,873 | 2,035 | -0- | 36,523 | 38,558 | 1,795 |
| | | | | **1,370,647** | **21,276** | **192,338** | **1,003,361** | **1,216,975** | **74,608** |

* The provisions of this trust do not prohibit the distribution of principal.

In accordance with accounting principles generally accepted in the United States of America, the Consolidated Group recognizes its beneficial interests in these perpetual trusts as an asset and any change in market value of trust assets from year to year on the consolidated statement of activities. The asset held in trust is recorded at its fair value which is deemed to approximate the present value of estimated future cash receipts. The changes in value of the beneficial interest in perpetual trusts for the years ended September 30, 2016 and 2015, were $5,375 and $(124,787), respectively.

## NOTE 7 - LINE of CREDIT

The Consolidated Group has a $5,000,000 operating line of credit with Fulton Bank. The line bears interest at the one-month London Interbank Offered Rate (LIBOR) plus 1.90%. The line is secured by the building, accounts receivable, inventory, general intangibles, machinery, and equipment of **VisionCorps**. There was no outstanding balance on the line of credit at September 30, 2016 and 2015.

## NOTE 8 - SPLIT INTEREST AGREEMENTS (CHARITABLE GIFT ANNUITIES)

On June 28, 2010, the Consolidated Group received a contribution of $25,000 from an individual for unrestricted use, of which $10,226 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, $538 is paid quarterly to the beneficiary. In calculating present value of the liability, the discount rate used was 3.4%. Due to the change in mortality, the obligation has been recalculated for September 30, 2016 and thereafter. The obligation for the annuity was $5,863 and $1,551 at September 30, 2016 and 2015, respectively. Amortization of the discount of the liability was $1,115 and $217 for the years ended September 30, 2016 and 2015, respectively. Additionally, an expense of $5,347 was recognized for the year ended September 30, 2016, to reflect the change of liability attributed to a change in mortality tables.

On July 2, 2010, the Consolidated Group received a contribution of $10,000 from an individual for unrestricted use, of which $4,090 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, $215 is paid quarterly to the beneficiary. In calculating present value of the liability, the discount rate used was 3.4%. Due to the change in mortality, the obligation has been recalculated for September 30, 2016 and thereafter. The obligation for the annuity was $2,130 and $621 at September 30, 2016 and 2015, respectively. Amortization of the discount of the liability was $400 and $86 for the years ended September 30, 2016 and 2015, respectively. Additionally, an expense of $1,969 was recognized for the year ended September 30, 2016, to reflect the change of liability attributed to a change in mortality tables.

On February 21, 2014, the Consolidated Group received a contribution of $25,000 from an individual for unrestricted use, of which $8,700 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, $563 is paid quarterly to the beneficiary. In calculating present value of the liability, the discount rate used was 2.4%. Due to the change in mortality, the obligation has been recalculated for September 30, 2016 and thereafter. The obligation for the annuity was $6,169 and $6,008 at September 30, 2016 and 2015, respectively. Amortization of the discount of the liability was $1,153 and $522 for the years ended September 30, 2016 and 2015, respectively. Additionally, an expense of $1,258 was recognized for the year ended September 30, 2016, to reflect the change of liability attributed to a change in mortality tables.

On June 24, 2016, the Foundation received a contribution of $750,000 from an individual for unrestricted use, of which $233,842 was recorded as a charitable gift annuity liability, which was the present value of the annuity. Under the agreement, $16,875 is paid quarterly to the beneficiary. In calculating present value of the liability, the discount rate used was 1.8%. The obligation for the annuity was $220,155 at September 30, 2016. Amortization of the discount of the liability was $4,485 for the year ended September 30, 2016.

**NOTE 9 - NOTES PAYABLE - LONG-TERM DEBT**

Notes payable as of September 30, 2016 and 2015, consisted of the following:

| | **2016** | **2015** |
|---|---|---|
| Note payable to the National Industries for the Blind. Monthly payments are $5,742 with interest accruing at 1.63%, through September 2017. The note is secured by the equipment the note was used to purchase, which has a net book value of $62,109 at September 30, 2016, and substantially all other assets of **VisionCorps**. | 68,307 | 135,506 |
| | **68,307** | **135,506** |
| Current Maturities | 68,307 | 67,199 |
| Long-Term Portion | -0- | 68,307 |

Aggregate maturities on long-term debt are as follows:

| | |
|---|---|
| 2017 | 68,307 |

The Organization expenses all interest costs as they are incurred. Interest cost incurred was $1,721 and $2,933 for the years ended September 30, 2016 and 2015, respectively.

**NOTE 10 - FEES for SERVICES and GRANTS**

The Agency receives a yearly grant for preschool early intervention services from the Lancaster-Lebanon Intermediate Unit #13. Total received from the Lancaster-Lebanon Intermediate Unit #13 during the fiscal years ended September 30, 2016 and 2015, was $19,854 and $40,723, respectively.

The Agency is under a contract agreement with the office of Mental Health/Mental Retardation of Lancaster and Lebanon counties for the preschool program. The Agency is reimbursed based on the number of hours services are rendered to preschool children. The Agency received $56,170 and $50,917 under these contracts for the fiscal years ended September 30, 2016 and 2015, respectively.

Total other fees for services and grants received amounted to $134,717 and $175,746 for the fiscal years ended September 30, 2016 and 2015, respectively.

The disbursement of funds received under these contracts generally requires compliance with terms and conditions specified in the contracts and is subject to audit by the contracting agencies. The amount of charges to these contracts that may be disallowed, if any, by such audits cannot presently be determined and no provisions for any liability that may result has been made in the consolidated financial statements. However, management believes that the Agency is in compliance with grant requirements, and no liability has arisen in the past or is currently expected.

**NOTE 11 - INVESTMENT INCOME**

A breakdown of the sources of investment income at September 30, 2016 and 2015, are as follows:

| 2016 | Operating | Board Designated | Temporarily Restricted |
|---|---|---|---|
| Interest and Dividends | 162,688 | 8,132 | 4,049 |
| Unrealized Gains | 156,869 | 267,972 | 24,317 |
| Realized Gains | 64,066 | 1,303 | 6,897 |
| Trust Income | 110,474 | -0- | -0- |
| | **494,097** | **277,407** | **35,263** |

| 2015 | Operating | Board Designated | Temporarily Restricted |
|---|---|---|---|
| Interest and Dividends | 141,085 | 7,706 | 423 |
| Unrealized Losses | (397,067) | (109,688) | (26,227) |
| Realized Gains | 196,516 | 1,497 | 29 |
| Trust Income | 97,584 | -0- | -0- |
| | **38,118** | **(100,485)** | **(25,775)** |

**NOTE 12 - DONATED SERVICES**

Volunteer Service - During the year ended September 30, 2016, volunteers gave 2,742 hours of service, which are valued at approximately $39,498. During the year ended September 30, 2015, volunteers gave 4,961 hours of service, which are valued at approximately $71,935. The value of these services is not recorded as support and expenditures on the consolidated financial statements, as they do not meet criteria for recording under FASB ASC 958, *Not-For-Profit Entities.*

Accounting Services - The Consolidated Group recorded the value of services donated from an accounting firm in the amount of $19,100 and $22,348 for the years ended September 30, 2016 and 2015, respectively.

**NOTE 13 - RETIREMENT PLAN**

The Consolidated Group employees participate in a tax shelter annuity plan which covers employees with one year of service and 1,000 hours of service, provided the employee has attained age 21. The plan consists of 403(b) deferrals by eligible employees and employer matching contributions which consist of 100% of employee deferrals up to 6% of compensation deferred for the year ended September 30, 2016. The matching contribution for the year ended September 30, 2015, was 50% of employee deferrals up to 3% of compensation deferred. Additionally, for the year ended September 30, 2015, the employer made discretionary contributions to the plan. Eligible employees are fully vested in their 403(b) deferral and employer matching account balances at all times. Eligible employees become vested in discretionary contributions according to a vesting schedule over six years. The pension plan contribution on behalf of the eligible employees was $214,706 and $215,789 for the years ended September 30, 2016 and 2015, respectively.

**NOTE 14 - ENDOWMENT FUNDS and PERMANENTLY and TEMPORARILY RESTRICTED NET ASSETS**

The Consolidated Group has adopted the provisions of FASB ASC 958, *Not-For-Profit Entities,* which relate to endowment funds. Endowment funds are invested for balanced growth, with capital appreciation and income generation of comparable importance. Funds within the account are allocated among equity and fixed income investments reflective of an average risk tolerance. As permitted by Pennsylvania Act 141, the Consolidated Group has adopted a total return policy with regard to its endowment funds whereby 5% of the five-year average market value of the investments is deemed income available for appropriation. The Consolidated Group considers this policy to be consistent with its strategy of long-term preservation of the real value of the assets.

The endowment account was established during the fiscal year ended September 1991 to record a donation from the Oxford Foundation in the amount of $15,000. An additional amount of $3,500 was designated by the Board of Directors for endowment purposes. In 2007, upon the termination of a perpetual trust in which the Consolidated Group had a beneficial interest, $4,313 was added to the account. In 2008, upon the termination of a perpetual trust in which the Consolidated Group had a beneficial interest, $53,821 was added to the account. The amount permanently restricted at September 30, 2016 and 2015, is $73,134.

In addition, through a donor stipulated memorial for Robert Y. Garrett, Jr., $10,000 has been permanently restricted. The income from this account is temporarily restricted for training purposes. The Consolidated Group has not adopted a total return policy with regard to this account.

The following summarizes the changes in endowment net assets for the fiscal years ended September 30, 2016 and 2015, and presents the endowment net assets as of September 30, 2016 and 2015:

| | **Board Designated Unrestricted** | **Temporarily Restricted** | **Permanently Restricted** | **Total** |
|---|---|---|---|---|
| **Balance - September 30, 2014** | 236,813 | 4,304 | 83,134 | 324,251 |
| Investment Return: | | | | |
| Investment Income | 8,961 | 452 | -0- | 9,413 |
| Net Appreciation (Depreciation) | (17,190) | (323) | -0- | (17,513) |
| Total Investment Return | (8,229) | 129 | -0- | (8,100) |
| Contributions | 118 | -0- | -0- | 118 |
| Appropriation of Endowment Assets for Expenditure | (8,686) | (91) | -0- | (8,777) |
| **Balance - September 30, 2015** | **220,016** | **4,342** | **83,134** | **307,492** |
| Investment Return: | | | | |
| Investment Income | 7,082 | 440 | -0- | 7,522 |
| Net Appreciation | 20,134 | 138 | -0- | 20,272 |
| Total Investment Return | 27,216 | 578 | -0- | 27,794 |
| Appropriation of Endowment Assets for Expenditure | (8,880) | -0- | -0- | (8,880) |
| **Balance - September 30, 2016** | **238,352** | **4,920** | **83,134** | **326,406** |

### NOTE 14 - ENDOWMENT FUNDS and PERMANENTLY and TEMPORARILY RESTRICTED NET ASSETS (Continued)

In 2004, the Consolidated Group received a portion of the remainder of the trust under will of Henry Vollmer. The will appointed a trustee with discretionary powers to distribute income and principal to the Consolidated Group for its general operating expenses. The funds are time restricted until such time as the trustee releases the funds.

In 2010, the Consolidated Group received a portion of the remainder of the trust under will of Kathleen D. Peters. A portion of the income is distributed semi-annually and is available for operating expenses. The principal will be held in trust for fifteen years.

Temporarily restricted net assets are made up of the following at September 30, 2016 and 2015:

| | **2016** | **2015** |
|---|---|---|
| Garrett - Restricted for Training | 4,920 | 4,342 |
| Restricted for Client Services | 10,879 | 10,868 |
| Restricted for Scholarships and Grants | 574,663 | 308,209 |
| Vollmer - Time Restricted | 194,912 | 186,164 |
| Peters - Time Restricted | 467,252 | 441,326 |
| | **1,252,626** | **950,909** |

### NOTE 15 - MAJOR CUSTOMERS and SUPPLIERS

A major customer of the Consolidated Group is National Industries for the Blind, which secures U.S. Government military contracts. During the year ended September 30, 2016, net sales to this firm were $12,234,416 with trade receivables having a balance of $482,890. During the year ended September 30, 2015, National Industries for the Blind was a major customer with net sales and trade receivables of $16,668,359 and $1,738,380, respectively.

During the years ended September 30, 2016 and 2015, the Consolidated Group had the following major supplier:

| | **2016** | **2015** |
|---|---|---|
| Team Wendy LLC. | 6,642,341 | 11,002,198 |

### NOTE 16 - OPERATING LEASES

Rental expense for all operating leases totaled $81,842 for buildings and $9,640 for equipment for the year ended September 30, 2016. Remaining terms of the building and equipment leases vary from one to three years.

For the year ended September 30, 2015, rental expense for all operating leases totaled $67,110 for buildings and $16,752 for equipment.

**NOTE 16 - OPERATING LEASES (Continued)**

The building leases provides for index-based escalation in future periods. FASB ASC Topic 849, *Accounting for Leases,* prescribes that if rental payments are not made on a straight-line basis, rental expense nevertheless should be recognized on a straight-line basis. The Consolidated Group has recorded rent expenses equal to the amounts actually paid. The amounts do not differ significantly from the expense that would be recorded on a straight-line basis.

Future minimum lease payments under all operating leases for the years ended September 30 are as follows:

| | |
|---|---|
| 2017 | 87,553 |
| 2018 | 8,132 |
| 2019 | 148 |
| | **95,833** |

**NOTE 17 - PENNSYLVANIA ASSOCIATION for the BLIND GRANT**

The Pennsylvania Association for the Blind contracts services from **VisionCorps** to deliver specialized services to vision impaired clients in Lebanon, Berks, (through June 2016) and Chester Counties and in Somerset County through June 2015. Individuals need to meet the set criteria to be eligible for these specific services. Services include: transportation, support services, life skills education and support groups, and case management services. Individual contracts are developed and reviewed yearly to ensure clients are receiving the services that are necessary and appropriate for them. The contract assists in supporting the life skills coordinator's salary, office space, utilities, travel and/or mileage, and training cost. The details of the grant for the grant years ended June 30, 2016 and 2015, are as follows:

| | **2016** | **2015** |
|---|---|---|
| Grant Received | 46,456 | 100,728 |
| Salary Expenses | (56,215) | (104,023) |
| Payroll Taxes | (4,300) | (7,958) |
| Employee Benefits | (18,600) | (14,605) |
| Utilities | (2,943) | (2,334) |
| **Agency's Subsidy** | **(35,602)** | **(28,192)** |

The Pennsylvania Association for the Blind contracts services from **VisionCorps** to deliver prevention of blindness services to the Lancaster, Lebanon, and Chester communities and Somerset County through June 2015. Services include adult and preschool vision screenings and prevention education. The contract assists in supporting prevention of blindness salaries, office space, utilities, travel, and training costs. The details of the grants for the grant years ended June 30, 2016 and 2015, are as follows:

**NOTE 17 - PENNSYLVANIA ASSOCIATION for the BLIND GRANT (Continued)**

| | 2016 | 2015 |
|---|---|---|
| Grant Received | 32,757 | 37,994 |
| Salary Expenses | (44,652) | (50,742) |
| Payroll Taxes | (3,416) | (3,882) |
| Employee Benefits | (15,157) | (9,998) |
| Utilities | (634) | (918) |
| **Agency's Subsidy** | **(31,102)** | **(27,546)** |

**NOTE 18 - FUNDRAISING ACTIVITIES**

The Consolidated Group has events to raise money to fund the mission of the Consolidated Group. Revenues and expenses related to these events are as follows for the years ended September 30, 2016 and 2015:

| | 2016 | 2015 |
|---|---|---|
| Gross Revenue | 23,187 | 45,471 |
| Gross Expenses | 12,135 | 25,167 |
| **Net Revenue** | **11,052** | **20,304** |

Revenues from fundraising activities are reported as a component of public support and related expenses are reported as a component of development expenses in the accompanying consolidated statement of activities.

**NOTE 19 - RELATED PARTY TRANSACTIONS**

The Consolidated Group purchases various services and products which are offered by members of the Consolidated Group's Board of Directors. Insurance products and other various services were purchased totaling $338,069 and $464,957 for the years ended September 30, 2016 and 2015, respectively.

The Consolidated Group also has two Board of Director members that are related to one another. There were no services or products purchased from these two members during the year.

**NOTE 20 - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through November 14, 2016, which represents the date the consolidated financial statements were available to be issued. No events have occurred between September 30, 2016, and this date which would require recording or disclosure in these consolidated financial statements.

# VisionCorps and VisionCorps Foundation

CONSOLIDATING SCHEDULE of FINANCIAL POSITION

September 30, 2016

## ASSETS

| | VisionCorps | VisionCorps Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| **CURRENT ASSETS** | | | | |
| Cash and Cash Equivalents | $ 1,829,131 | $ 140,529 | | $ 1,969,660 |
| Accounts Receivable | 1,386,335 | 22,072 | (382,215) | 1,026,192 |
| Inventories | 1,435,443 | | | 1,435,443 |
| Prepaid Expenses | 55,910 | 4,000 | | 59,910 |
| **Total Current Assets** | **4,706,819** | **166,601** | **(382,215)** | **4,491,205** |
| **INVESTMENTS** | | | | |
| Fulton Financial Advisors | | 5,298,797 | | 5,298,797 |
| BNY Mellon | | 3,887,958 | | 3,887,958 |
| Vollmer Bequest | 194,912 | | | 194,912 |
| Peters Bequest | 467,252 | | | 467,252 |
| Endowment | 311,486 | | | 311,486 |
| Robert Y. Garrett, Jr. Memorial | 14,920 | | | 14,920 |
| **Total Investments** | **988,570** | **9,186,755** | **-0-** | **10,175,325** |
| **PROPERTY and EQUIPMENT** | | | | |
| Property and Equipment | 15,783,619 | 40,415 | | 15,824,034 |
| Accumulated Depreciation | (6,804,067) | (33,626) | | (6,837,693) |
| **Net Property and Equipment** | **8,979,552** | **6,789** | **-0-** | **8,986,341** |
| **OTHER ASSETS** | | | | |
| Deposits on Equipment | 34,980 | | | 34,980 |
| Beneficial Interest in Perpetual Trusts | 1,222,710 | | | 1,222,710 |
| **Total Other Assets** | **1,257,690** | **-0-** | **-0-** | **1,257,690** |
| **TOTAL ASSETS** | **$ 15,932,631** | **$ 9,360,145** | **$ (382,215)** | **$ 24,910,561** |

See independent auditors' report.

## VisionCorps and VisionCorps Foundation

CONSOLIDATING SCHEDULE of FINANCIAL POSITION

(Continued)

September 30, 2016

**LIABILITIES and NET ASSETS**

| | VisionCorps | VisionCorps Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| **CURRENT LIABILITIES** | | | | |
| Notes Payable - | | | | |
| Current Portion | $ 68,307 | | | $ 68,307 |
| Accounts Payable | 806,369 | 361,377 | (382,215) | 785,531 |
| Accrued Payroll | 132,113 | 5,258 | | 137,371 |
| Accrued and Withheld | | | | |
| Payroll Taxes | 11,580 | | | 11,580 |
| Accrued Benefits | 174,442 | 6,422 | | 180,864 |
| Charitable Gift Annuities - | | | | |
| Current Portion | | 56,139 | | 56,139 |
| **Total Current Liabilities** | **1,192,811** | **429,196** | **(382,215)** | **1,239,792** |
| **NON-CURRENT LIABILITIES** | | | | |
| Charitable Gift Annuities | | **178,178** | | **178,178** |
| **TOTAL LIABILITIES** | **1,192,811** | **607,374** | **(382,215)** | **1,417,970** |
| **NET ASSETS** | | | | |
| Unrestricted | 12,755,983 | 8,178,138 | | 20,934,121 |
| Temporarily Restricted | 677,993 | 574,633 | | 1,252,626 |
| Permanently Restricted | 1,305,844 | | | 1,305,844 |
| **TOTAL NET ASSETS** | **14,739,820** | **8,752,771** | **-0-** | **23,492,591** |
| **TOTAL LIABILITIES and NET ASSETS** | **$ 15,932,631** | **$ 9,360,145** | **$ (382,215)** | **$ 24,910,561** |

See independent auditors' report.

# VisionCorps and VisionCorps Foundation

CONSOLIDATING SCHEDULE of ACTIVITIES

Year Ended September 30, 2016

| | VisionCorps | VisionCorps Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| **SUPPORT** | | | | |
| Contributions: | | | | |
| Public | $ 669 | $ 1,024,451 | | $ 1,025,120 |
| In-Kind Contributions | 29,090 | 45,623 | (29,090) | 45,623 |
| Fees for Services and Grants | 547,554 | -0- | (336,813) | 210,741 |
| **Total Support** | **577,313** | **1,070,074** | **(365,903)** | **1,281,484** |
| **REVENUE** | | | | |
| Enterprise Group Sales | 18,961,005 | | | 18,961,005 |
| Client Services | 10,460 | | | 10,460 |
| Investment Income | 200,905 | 605,862 | | 806,767 |
| Other Income | 90,082 | | | 90,082 |
| Change in Value of Beneficial Interest in Perpetual Trusts | 5,735 | | | 5,735 |
| Change in Value of Split Interest Agreements | | (15,727) | | (15,727) |
| **Total Revenue** | **19,268,187** | **590,135** | **-0-** | **19,858,322** |
| **Total Support and Revenue** | **19,845,500** | **1,660,209** | **(365,903)** | **21,139,806** |
| **FUNCTIONAL EXPENSES** | | | | |
| Program Expenses: | | | | |
| Enterprise Group | 17,470,920 | | | 17,470,920 |
| Rehabilitation | 941,965 | | | 941,965 |
| Youth Services | 340,439 | | | 340,439 |
| Grant Making | | 326,069 | (300,478) | 25,591 |
| Education and Public Awareness | | 40,940 | | 40,940 |
| Development | | 184,320 | | 184,320 |
| Administration | 611,916 | 201,508 | (65,425) | 747,999 |
| **Total Functional Expenses** | **19,365,240** | **752,837** | **(365,903)** | **19,752,174** |
| **Changes in Net Assets Before Bequests and Transfers (Carried Forward)** | **$ 480,260** | **$ 907,372** | **$ -0-** | **$ 1,387,632** |

See independent auditors' report.

# VisionCorps and VisionCorps Foundation

CONSOLIDATING SCHEDULE of ACTIVITIES

(Continued)

Year Ended September 30, 2016

| | VisionCorps | VisionCorps Foundation | Eliminations | Consolidated |
|---|---|---|---|---|
| **Changes in Net Assets Before Bequests and Transfers (Brought Forward)** | **$ 480,260** | **$ 907,372** | **$ -0-** | **$ 1,387,632** |
| **BEQUESTS** | **44,522** | **106,433** | | **150,955** |
| **INTERORGANIZATIONAL TRANSFERS** | **(1,750,000)** | **1,750,000** | | **-0-** |
| **CHANGES in NET ASSETS** | **(1,225,218)** | **2,763,805** | **-0-** | **1,538,587** |
| **NET ASSETS** | | | | |
| Beginning of Year | 15,965,038 | 5,988,966 | | 21,954,004 |
| **End of Year** | **$ 14,739,820** | **$ 8,752,771** | **$ -0-** | **$ 23,492,591** |

See independent auditors' report.