Grant Thornton

Consolidated Financial Statements and Report of Independent Certified Public Accountants

BRAILLE INSTITUTE OF AMERICA, INC.
(A California Nonprofit Corporation)

June 30, 2015

(With Summarized Comparative Financial Information for the Year Ended June 30, 2014)

Contents

Grant Thornton

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Report of Independent Certified Public Accountants

Board of Directors
Braille Institute of America, Inc.

Report on the financial statements

We have audited the accompanying consolidated financial statements of the Braille Institute of America, Inc. (the "Institute"), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's 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 from 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 auditor's 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 Institute'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 Institute'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 Braille Institute of America, Inc. as of June 30, 2015, 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.

Other matters

Report on 2014 summarized comparative information

We have previously audited the Institute's 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 5, 2014. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Grant Thornton LLP

Los Angeles, California
December 18, 2015

Braille Institute of America, Inc.
(A California Nonprofit Corporation)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2015
(With Summarized Comparative Financial Information as of June 30, 2014)
(In Thousands)

	2015	2014
ASSETS		
Cash and cash equivalents (Note 2)	$ 5,073	$ 2,020
Marketable investment securities (Note 3)	112,415	116,255
Investments in gift annuity contracts (Note 3)	6,363	7,695
Contributions receivable (Note 5)	869	318
Accounts receivable	223	201
Prepaid expenses and inventories	365	108
Long-term other investments (Note 6)	205	205
Beneficial interest in trusts	1,805	1,874
Other assets	417	417
Land held for sale	4,951	-
Land, buildings and equipment, net (Note 7)	27,301	32,574
TOTAL ASSETS	$ 159,987	$ 161,667
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 3,615	$ 2,807
Pension liabilities (Note 9)	940	221
Gift annuity liabilities and benefit payments	4,266	4,707
Total liabilities	8,821	7,735
Net assets		
Unrestricted	122,863	126,272
Temporarily restricted	15,468	14,762
Permanently restricted	12,835	12,898
Total net assets	151,166	153,932
TOTAL LIABILITIES AND NET ASSETS	$ 159,987	$ 161,667

The accompanying notes are an integral part of these consolidated financial statements.

Braille Institute of America, Inc.
(A California Nonprofit Corporation)

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015
(With Summarized Comparative Financial Information for the Year Ended June 30, 2014)
(In Thousands)

	2015				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating:					
Revenues:					
Public support and other revenues					
Public support:					
Bequests	$ 8,862	$ 3,482	$ -	$ 12,344	$ 7,413
Trusts	379	29	-	408	375
Contributions	1,757	2,794	-	4,551	4,071
Total public support	10,998	6,305	-	17,303	11,859
Other revenues:					
Investment income	6,138	10	-	6,148	7,215
State library appropriation	-	719	-	719	794
Rent and miscellaneous	70	-	-	70	52
Braille Challenge Grant	157	-	-	157	194
Total other revenues	6,365	729	-	7,094	8,255
Net assets released from restrictions:					
State library	719	(719)	-	-	-
Program and time restrictions	5,603	(5,603)	-	-	-
Total revenues	23,685	712	-	24,397	20,114
Expenses:					
Program services:					
Educational programs and services	12,790	-	-	12,790	13,233
Library services	3,107	-	-	3,107	3,059
Braille publishing, net of revenue of $1 in 2015 and $1 in 2014	1,099	-	-	1,099	999
Depreciation expense	1,410	-	-	1,410	1,315
Total program servcies	18,406	-	-	18,406	18,606
Supporting services:					
Administration	836	-	-	836	918
General operations	1,495	-	-	1,495	1,686
Philanthropy (fund-raising)	3,699	-	-	3,699	3,346
Marketing and communications	979	-	-	979	1,139
Depreciation expense	90	-	-	90	138
Total supporting services	7,099	-	-	7,099	7,227
Total expenses	25,505	-	-	25,505	25,833
Total change in net assets from operating activities	(1,820)	712	-	(1,108)	(5,719)
Nonoperating:					
Realized and unrealized investment gains (losses), net	79	(6)	(63)	10	16,689
Change in pension liability	(1,374)	-	-	(1,374)	3,020
Change in value of beneficial interests in trusts	(294)	-	-	(294)	(451)
Total change in net assets from nonoperating activities	(1,589)	(6)	(63)	(1,658)	19,258
Total change in net assets	(3,409)	706	(63)	(2,766)	13,539
Net assets at beginning of year	126,272	14,762	12,898	153,932	140,393
Net assets at end of year	$ 122,863	$ 15,468	$ 12,835	$ 151,166	$ 153,932

The accompanying notes are an integral part of these consolidated financial statements.

Braille Institute of America, Inc.
(A California Nonprofit Corporation)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2015
(With Summarized Comparative Financial Information for the Year Ended June 30, 2014)
(In Thousands)

	2015	2014
Cash flows from operating activities:		
Changes in net assets	$ (2,766)	$ 13,539
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	1,500	1,453
Change in pension liability	719	(3,207)
Investments acquired through stock donation	(44)	(628)
Decrease (increase) in beneficial interest	68	(117)
Actuarial adjustment for gift annuities	382	593
Unrealized loss (gain) on investments	2,735	(15,669)
Realized gain on investments	(2,747)	(964)
(Gain) loss on sale of other assets	(68)	61
Contributions for long-term investment in gift annuity contracts	(165)	(317)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable, prepaid expense and inventories	(280)	305
(Increase) decrease in contributions receivable	(551)	63
Increase in accounts payable and accrued expenses	808	256
Net cash used in operating activities	(409)	(4,632)
Cash flows from investing activities:		
Purchase of other assets	69	7
Capital improvements and purchases of equipment and land	(1,177)	(906)
Purchases of investments	(3,105)	(15,676)
Proceeds from sale of investments	8,332	19,986
Net cash provided by investing activities	4,119	3,411
Cash flows from financing activities:		
Contributions of gift annuity contracts	165	317
Payments of gift annuity contracts	(822)	(895)
Net cash used in financing activities	(657)	(578)
Net increase (decrease) in cash and cash equivalents	3,053	(1,799)
Cash and cash equivalents at beginning of year	2,020	3,819
Cash and cash equivalents at end of year	$ 5,073	$ 2,020
Supplemental Cash Flow Information		
Non-cash gifts - securities received	$ 44	$ 628

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Institute
Braille Institute of America, Inc. (the "Institute") is a private, nonprofit institute offering its programs and services at no charge to legally blind men, women and children of all ages. Its educational training, programs and services are directed toward one primary objective – helping those who have lost or never had the gift of sight to lead full, productive lives.

The Institute receives financial support through individual contributions, bequests and foundation grants. Community groups also assist significantly through sponsorship of many events and activities.

Basis of Reporting
The consolidated financial statements include the Institute and Braille Institute of America, Inc. Charitable Gift Annuity Fund (the "Fund") and beneficial interests in charitable trusts.

Basis of Accounting
The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Net Assets
The Institute reports 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.

Unrestricted Net Assets
Unrestricted net assets are not subject to donor-imposed stipulations. The only limits on unrestricted net assets are the broad limits resulting from the nature of the Institute and the purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements. Unrestricted net assets include Board-designated funds and realized and unrealized investment gains and losses.

Temporarily Restricted Net Assets
These are net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the Institute pursuant to those stipulations. All temporarily restricted net assets are available for general time restrictions related to program activities.

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets (continued)

Permanently Restricted Net Assets

These are net assets resulting from contributions and other inflows of assets whose use by the Institute is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Institute. All permanently restricted net assets are available for endowment.

Non-Operating

Non-operating revenues and expenses include all realized and unrealized gains and losses on investments, change in value of beneficial interest in trusts and change in the pension liability. All other activity is classified as operating revenue and expense.

Donated Services

Many individuals have donated time and services to advance the Institute's programs and objectives. In some instances, the value of these services has not been recorded in the consolidated financial statements because they do not meet the requirements for recognition under US GAAP. While the value of donated labor is not reflected in the accompanying consolidated financial statements, the financial results of fund-raising and other activities are included.

Cash and Cash Equivalents

Short-term investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents. Short-term investments with an original maturity greater than three months are included in investments. Cash and cash equivalents are reported at cost, which approximates fair value. The Institute maintains cash in various financial institutions that periodically, and as of year-end, exceeds federally insured limits of $250. Management does not consider this concentration to be a significant credit risk. Certain items which meet the definition of cash equivalents but are part of a larger pool of investments are included in marketable investment securities.

Marketable Investment Securities

Marketable investment securities include equity securities, money market funds and bond mutual funds, are valued at fair value. Interest and dividends are accrued as earned or declared. Investments which are valued at net asset value ("NAV") do not have any future commitments, redemption or lock up periods.

Investments for Gift Annuity Contracts

Investments for gift annuity contracts include U.S. Treasury bills and government bonds with maturities of one year or more. These investments are valued at fair value. The fair values of investments in securities traded on national securities exchanges are valued at the closing price

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments in Gift Annuity Contracts (continued)
on the last business day of the fiscal year; securities traded on the over-the-counter market are valued at the last reported bid price.

Inventories
Inventories consist of store merchandise and press department materials. Inventories are valued at the lower of cost or market on a first-in, first-out ("FIFO") basis.

Long-Term Other Investments
Long-term other investments are carried at the lower of cost or market value, except for oil and gas lease rights, which are carried at nominal values due to uncertainties inherent in any valuation of future royalty revenues.

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities: Scope – Investments,* the Institute records all in-kind donations at their fair value at the time of donation and the Institute continues to report in-kind donations at their carrying value or cost, including oil and gas interests.

Impairment of Long-Lived Assets
Management reviews each asset or asset group for impairment whenever events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. The review of recoverability is based on management's estimate of the undiscounted future cash flows that are expected to result from the asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as, the effects of competition and other factors. If an impairment event exists due to the projected inability to recover the carrying value of an asset or asset group, an impairment loss is recognized to the extent that the carrying value exceeds estimated fair value. No impairment was recorded by the Institute during fiscal year 2015.

Beneficial Interest in Trusts
The Institute is also a beneficiary of irrevocable split-interest agreements, consisting primarily of charitable remainder trusts and charitable lead trusts administered by other trustees. A receivable is recorded at the estimated fair value of the amount held by the trustee that is due to the Institute. The Institute uses an interest rate commensurate with the risks involved to discount the contribution receivable. The amortization of this discount and changes in assumptions are reflected in the consolidated statement of activities as a change in value of beneficial interest.

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Land, Buildings and Equipment
Additions to land, buildings and equipment are recorded at cost. Donated assets are recorded at fair value at the time of donation. Fixed assets are stated at cost less accumulated depreciation.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, forty years for the building, generally three to ten years for furniture, equipment and vehicles. The Institute's policy is to capitalize all asset improvements in excess of $5 that extend the useful life or increase the utility of the property.

Land Held for Sale
A property is classified as held for sale when certain criteria, as set forth under ASC 360-15, are met. At such time, we present the respective assets and liabilities related to the property held for sale separately on the statement of financial position and cease to record depreciation and amortization expense. Properties held for sale are reported at the lower of their carrying value or their estimated fair value less the estimated costs to sell.

Taxes
The Institute was organized pursuant to the General Nonprofit Corporation Law of the State of California. The Institute has been recognized by the Internal Revenue Service as an organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Institute has also been recognized by the California Franchise Tax Board as an organization that is exempt from California franchise and income taxes under Section 23701d of the California Revenue and Taxation Code. However, the Institute is subject to income taxes on income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. Since the Institute had no obligation for unrelated business income tax for the year ended June 30, 2015, no provisions for federal or state income taxes are required.

Tax positions taken related to the Institute's tax exempt status, unrelated business activities taxable income and deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken by the Institute would more likely than not be sustained by examination. Accordingly, the Institute has not recorded an income tax liability for uncertain tax benefits as of June 30, 2015 and no material change is anticipated for the 12 months following June 30, 2015. As of June 30, 2015, the Institute's tax years ending June 30, 2010 through June 30, 2015 remain subject to examination.

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Summarized Information
The consolidated financial statements include certain prior-year summarized consolidated financial information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Institute's consolidated financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Use of Estimates
The preparation of the consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses. While management believes that these estimates are adequate as of June 30, 2015, it is possible that actual results could differ from those estimates.

Functional Expense Reporting
The costs of providing program and supporting services have been summarized by function, based on estimates developed by management.

Accounts Receivable Valuation
Accounts receivable are considered by management to be fully collectible.

Revenue and Expense Recognition
Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate class of net assets. Contributions where donor restrictions are met within the same fiscal year as the contribution is received are included in unrestricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate.

An allowance for uncollectible contributions is estimated based upon such factors as prior collection history, type of contribution and nature of fundraising activity. Expenses are recognized when incurred.

(In Thousands)

NOTE 1 - INSTITUTE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Recent Accounting Pronouncements
In January 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-01, *Income Statement – Extraordinary and Unusual Items (Subtopic 225-10)*. The amendments in the update eliminate from U.S. GAAP the concept of extraordinary items. The adoption of ASU No. 2015-01 is effective prospectively for fiscal years beginning after December 15, 2015; however, retrospective application to all prior periods presented upon the date of adoption is permitted. The adoption of ASU No. 2015-01 is not expected to have a material effect on the Institute's financial statements.

In May 2015, the FASB issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*. The guidance specifically clarifies how investments valued using the net asset value (NAV) practical expedient within the fair value hierarchy should be classified. The ASU was issued in order to address diversity in practice. The amended standard's key position exempts investments measured using the NAV practical expedient from categorization within the fair value hierarchy and related disclosures. The new guidance is effective for the Institute for the year ending March 31, 2017, with early adoption permitted.

NOTE 2 - CASH AND CASH EQUIVALENTS

A summary of the composition of cash and cash equivalents follows:

	June 30, 2015	June 30, 2014
Interest-bearing accounts	$ 3,416	$ 538
Non-interest bearing accounts	1,651	1,476
Petty cash	6	6
Total	$ 5,073	$ 2,020

(In Thousands)

NOTE 3 - MARKETABLE INVESTMENT SECURITIES AND INVESTMENTS IN GIFT ANNUITY CONTRACTS

A summary of the composition of the Institute's marketable investment securities follows:

	June 30, 2015	June 30, 2014
Fixed income funds	$ 27,607	$ 27,368
Real estate	9,426	10,531
Equity securities	75,292	78,303
Money market funds	90	53
Total	$ 112,415	$ 116,255

A summary of the composition of investments in gift annuity contracts follows:

	June 30, 2015	June 30, 2014
Fixed income funds	$2,255	$ 2,534
Equity securities	3,858	4,953
Money market funds	250	208
Total	$ 6,363	$ 7,695

The Institute holds significant investments in the form of fixed-income and equity securities. Market risk is the risk of a decline in the fair value of the investment portfolio due to adverse financial market conditions. The Institute is exposed to market risk for the total amount of the investments.

NOTE 4 - FAIR VALUE OF INVESTMENTS

The Institute accounts for its investments at fair value. ASC 820, *Fair Value Measurements,* defines fair value, establishes a framework used to measure fair value, and expands disclosures about fair value measurements. This standard prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurement based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices in active markets for identical investments as of the reporting date, without adjustment. The types of investments in Level 1 include listed equities held in the name of the Institute and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 – Valuations based on inputs, including broker quotes, in markets that are not active or for which all significant inputs are either directly or indirectly observable for similar assets or liabilities as of the reporting date.

Level 3 – Valuations based on inputs that are both significant to the fair value measurement and unobservable, as they trade infrequently and therefore have little or no price transparency. These inputs into the determination of fair value require significant management judgment or estimation and typical investments of the category are privately held investments and partnership interests.

The determination of where an asset or liability falls in the hierarchy requires significant judgment. The Institute evaluates its hierarchy disclosures each reporting period and based on various factors, it is possible that an asset or liability may be classified differently from period to period. However, the Institute expects that changes in classifications between different levels will be rare.

The Institute's valuation methodologies used for mutual funds measured at fair value is based on NAV of shares held by the Institute at year end. There have been no changes in the methodologies used at June 30, 2015.

NOTE 4 - FAIR VALUE OF INVESTMENTS - Continued

Mutual funds – Valued at the daily closing price as reported by the fund. The funds and accounts held by the Institute are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds and accounts are required to publish their daily net asset value ("NAV") and to transact at that price. The funds and accounts held by the Institute are deemed to be actively traded. The money market funds are valued at the NAV of shares held by the Institute at year end. The funds attempt to stabilize the NAV of its shares at $1.00 by valuing the portfolio securities using the amortized cost method. The funds calculate a market-based NAV per share on a periodic basis. The funds do not guarantee that its NAV will always remain at $1.00 per share. Shares can be redeemed on a same day basis but only directly from the funds. Such transactions do not constitute an active market. Therefore, the funds are classified as Level 2.

Separately managed accounts – Valued at the daily closing price as reported by the investment manager. To the extent that they are actively traded at a securities exchange, they are valued at quoted prices from the applicable exchange and are classified as Level 1. To the extent that valuation adjustments are applied to these securities, they are classified as Level 2.

Alternative investment – Valued based on NAV per share (or its equivalent) of the underlying fund as provided by the investment manager.

The preceding method 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 Institute 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.

(In Thousands)

NOTE 4 - FAIR VALUE OF INVESTMENTS - Continued

The following table summarizes the valuation of the Institute's investments by the ASC 820 fair value hierarchy levels as of June 30, 2015:

Asset class	Level 1	Level 2	Level 3	Total
Mutual funds / exchange traded funds:				
Money market funds (a)	$ -	$ 340	$ -	$ 340
Equity - international (b)	32,962	24	-	32,986
Equity - small-mid cap domestic (c)	624	13	-	637
Equity - large cap domestic (d)	44,956	29	-	44,985
Equity - real estate (e)	9,730	234	-	9,964
Fixed income - domestic (f)	29,828	34	-	29,862
Separately managed accounts:				
Equity - large cap domestic (d)	4	-	-	4
	$ 118,104	$ 674	$ -	$ 118,778

The following table summarizes the valuation of the Institute's investments by the ASC 820 fair value hierarchy levels as of June 30, 2014:

Asset class	Level 1	Level 2	Level 3	Total
Mutual funds / exchange traded funds:				
Money market funds (a)	$ -	$ 261	$ -	$ 261
Equity - international (b)	34,886	-	-	34,886
Equity - small-mid cap domestic (c)	934	-	-	934
Equity - large cap domestic (d)	46,737	-	-	46,737
Equity - real estate (e)	11,227	-	-	11,227
Fixed income - domestic (f)	29,902	-	-	29,902
Separately managed accounts:				
Equity - large cap domestic (d)	3	-	-	3
	$ 123,689	$ 261	$ -	$ 123,950

(a) Money market funds – Money market funds seek to provide current income while maintaining liquidity and a stable per share price.

(In Thousands)

NOTE 4 - FAIR VALUE OF INVESTMENTS - Continued

(b) Equity – international – Comprised of mutual funds investing in equity securities of non-U.S. companies. While generally limited in their use, the funds may invest in derivative securities.

(c) Equity – small-mid cap domestic – Comprised of mutual funds investing in common stocks of U.S. companies with market capitalizations similar to companies in the Russell 2500 Index.

(d) Equity – large cap domestic – Comprised primarily of common stocks and mutual funds of U.S. companies with market capitalizations similar to companies in the Russell 1000 Index.

(e) Equity – real estate – The Fund seeks to provide income and capital growth by investing primarily in publicly traded securities issued by real estate investment trusts.

(f) Fixed income – domestic – Comprised of mutual funds investing in fixed income instruments of varying maturities issued primarily by U.S. public and private-sector entities and secondarily by non-U.S. entities. Fixed income instruments include investment grade bonds and high yield securities but may also be represented by derivatives including forwards, options, futures, swaps and asset-backed securities. Securities of varying maturities are permitted as well as those denominated in currencies other than the U.S. dollar.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Certain promises to give are recorded after discounting, at the prime rate of 3.25%, to the present value of the future cash flows. At June 30, 2015, unconditional promises are expected to be realized in the following period:

In one year or less	$ 499
Due between one and five years	416
Total	915
Less discount	(46)
Net receivable at June 30, 2015	$ 869

No allowance has been recorded as of June 30, 2015 as the Insitute expect to collect all outstanding receivable.

(In Thousands)

NOTE 6 - LONG-TERM OTHER INVESTMENTS

	June 30, 2015	June 30, 2014
Long-term other investments, at cost		
Oil and gas lease rights	$ 112	$ 112
Improved real estate	39	39
Unimproved real estate	54	54
Total	$ 205	$ 205

NOTE 7 - LAND, BUILDINGS, EQUIPMENT AND LAND HELD FOR SALE, NET

Land held for sale, land, buildings and equipment was comprised of the following at June 30, 2015 and 2014:

	June 30, 2015	June 30, 2014
Land	$ 9,883	$ 14,827
Buildings and improvements	51,065	50,598
Equipment	11,353	10,992
Land held for sale	4,951	-
Construction in progress	103	97
Total land, buildings and equipment	77,355	76,514
Less accumulated depreciation	(45,103)	(43,940)
Total land, buildings, equipment, and land held for sale, net	$ 32,252	$ 32,574

NOTE 8 - TAX-SHELTERED SAVINGS PLAN

Effective April 1, 1990, the Institute adopted a tax-sheltered savings plan for its employees. Employees may defer up to $17.5 annually. The Institute will match 100% of the participant's deferral amount up to $2.4. Participants are 100% vested in their contributions, the Institute's matching contribution and the non-elective contribution. The Institute's year to date accrued contribution was $402 and $394 for the years ended June 30, 2015 and 2014, respectively.

(In Thousands)

NOTE 9 - RETIREMENT PLAN

The Institute has a defined benefit retirement plan (the "Plan") that covers substantially all of its employees. The benefits are based on years of service and the employee's compensation during employment.

The Plan was frozen to future benefit accruals effective January 1, 2008. All active participants as of January 1, 2008 are 100% vested in their normal retirement benefit, if eligible.

Amounts related to defined benefit plans recognized in the consolidated financial statements are determined on an actuarial basis. Three of the more critical assumptions in the actuarial calculations are the discount rate for determining the current value of plan benefits, the assumption for the rate of increases in future compensation levels and the expected rate of return on plan assets.

Funded Status
An accumulated pension asset measured against the obligation for pension benefits represents the funded status of a given plan. The funded status of the Institute's sponsored defined benefit plan is presented in the table below as of June 30, 2015 and 2014:

	2015	2014
Change in benefit obligation		
Benefit obligation at beginning of year	$ 41,009	$ 38,957
Interest cost	1,700	1,804
Actuarial loss	1,114	2,197
Benefits paid	(2,118)	(1,949)
Benefit obligation at end of year	41,705	41,009
Change in Plan assets		
Fair value of Plan assets at beginning of year	40,788	35,528
Actual return gain on Plan assets	895	6,209
Employer contribution	1,200	1,000
Benefits paid	(2,118)	(1,949)
Fair value of Plan assets at end of year	40,765	40,788
Funded status at end of year	$ (940)	$ (221)
Amount recognized in the consolidated statement of activities for change in pension liability	1,374	(3,020)
Net amount recognized	$ 1,374	$ (3,020)

(In Thousands)

NOTE 9 - RETIREMENT PLAN - Continued

Additional information for the pension plan with an accumulate benefit obligation in excess of plan assets:

	2015	2014
Projected benefit obligation	$ 41,705	$ 41,009
Accumulated benefit obligation	$ 41,705	$ 41,009
Fair value of Plan assets	$ 40,765	$ 40,788
Additional information:		
Cumulative increase in minimum liability recognized directly in net assets	$ 13,378	$ 12,003

Assumptions

Assumptions used to determine benefit obligation at June 30:

	2015	2014
Discount rate	4.25%	4.25%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30:

	2015	2014
Discount rate	4.25%	4.25%
Expected long-term return on plan assets	6.00%	6.00%
Rate of compensation increase	N/A	N/A

Plan Assets

The primary investment objective of the Plan is to generate a long-term rate of return on assets that exceeds selected performance benchmarks for each asset category and the expected rate of return used in the valuation of the benefit obligation. The assumed rate of return on Plan assets represents an estimate of long-term returns available to investors who hold a mixture of equities and fixed income securities and considers returns on comparable asset classes (both historical and forecasted).

Investment allocation as of June 30, is as follows:

	2015	2014
Equity securities	26%	28%
Fixed income securities	74%	72%
	100%	100%

(In Thousands)

NOTE 9 - RETIREMENT PLAN - Continued

The following table summarizes the valuation of the Plan's investments by the ASC 820 fair value hierarchy levels as of June 30, 2015:

Asset class	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 825	$ -	$ 825
Equity - international	3,365	-	-	3,365
Equity - large cap domestic	6,529	-	-	6,529
Fixed income - domestic	30,046	-	-	30,046
	$ 39,940	$ 825	$ -	$ 40,765

The following table summarizes the valuation of the Plan's investments by the ASC 820 fair value hierarchy levels as of June 30, 2014:

Asset class	Level 1	Level 2	Level 3	Total
Money market funds	$ -	$ 1,493	$ -	$ 1,493
Equity - international	3,526	-	-	3,526
Equity - large cap domestic	6,317	-	-	6,317
Fixed income - domestic	29,452	-	-	29,452
	$ 39,295	$ 1,493	$ -	$ 40,788

The Plan may invest in equities and fixed income assets, subject to standards of fiduciary prudence for a defined benefit pension plan portfolio. The current long-term investment allocation target and maximum allocation are both 25% equities and 75% fixed income. Investments are diversified according to economic sector, industry, number of holdings and other investment characteristics to minimize risk exposure.

The Institute was not required to make a contribution to the Plan for fiscal year ended June 30, 2015.

(In Thousands)

NOTE 9 - RETIREMENT PLAN - Continued

Estimated future benefit payments for vested participants, based on actuarial assumptions, are as follows:

Year ending June 30,		
2016	$	2,172
2017	$	2,234
2018	$	2,301
2019	$	2,349
2020	$	2,386
2021-2025	$	12,525

NOTE 10 - CHARITABLE GIFT ANNUITY FUND

The Institute offers a charitable remainder annuities program for those who desire to donate. Institute annuities are written under authority granted to it by the Insurance Commissioner of the State of California. Annuity assets are held by a bank trustee with a reserve adequate to meet estimated future payments under its outstanding annuity contracts. Payments are made from these assets to the annuity beneficiary in accordance with the contract. The gift annuity liabilities are based on the present value of future payments. Contracts issued prior to January 1, 2005, are discounted at 6% and used estimated lives according to the 1983 Group Annuity Mortality Tables. Contracts issued after January 1, 2005 are discounted at 4.5% and use the Annuity 2000 Mortality Table. Due to the separate entity concept inherent in these types of gifts, the Institute produces separate financial statements for this fund. However, the Institute is required to reflect its beneficial interest in annuity contracts in its consolidated financial statements.

NOTE 11 - ENDOWMENT FUNDS

In August 2008, the FASB issued new accounting guidance on endowments of not-for-profit organizations within ASC 205. This guidance provides for not-for-profit organizations on the net asset classifications of donor-restricted endowment funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). In addition, the guidance requires enhanced disclosures for all endowment funds. California adopted UPMIFA effective January 1, 2009. The Institute adopted the accounting standard for the year ended June 30, 2009. There is no impact of the adoption as the Institute has historically recognized all investment income into temporarily restricted net assets and releases the restriction as amounts are spent.

NOTE 11 - ENDOWMENT FUNDS - Continued

The Board of Directors has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets, (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 to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Institution in a manner consistent with the standards of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Institute considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Institute and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Institute
- The investment policies of the Institute

The following is the endowment net asset composition by type of fund as of June 30, 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 12,835	$ 12,835
Total endowment funds	$ -	$ -	$ 12,835	$ 12,835

(In Thousands)

NOTE 11 - ENDOWMENT FUNDS - Continued

Changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ -	$ 12,898	$ 12,898
Investment return:				
Interest and dividend income	-	293	-	293
Net realized and unrealized gains	-	1,250	(63)	1,187
Bequests and contributions	-	-	-	-
Net assets released from restriction	1,543	(1,543)	-	-
Endowment net assets, end of year	$ 1,543	$ -	$ 12,835	$ 14,378

NOTE 12 - NET ASSETS

At June 30, 2015, total temporarily restricted net assets of approximately $15,468 are available for programs and services such as adult education and counseling, low vision rehabilitation services, library services, community outreach, Braille publishing, and child development. For the year ended June 30, 2015, $5,603 was released from restriction by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors.

At June 30, 2015, permanently restricted net assets of $12,835 are held in endowment and when investment income is earned on these funds, it is made available for programs and services as noted herein.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Institute is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the Institute's consolidated financial position.

Braille Institute of America, Inc.
(A California Nonprofit Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

For the year ended June 30, 2015
(In Thousands)

NOTE 14 - FUNCTIONAL EXPENSES

The functional expenses for June 30, 2015 and 2014 are as follows:

	Library Services	Educational Programs and Services	Braille Publishing, net of revenue	Marketing and Communications	Administration and General Operations	Philanthropy (Fund-Raising)	Total Current Operating Expenditures 2015	Total Current Operating Expenditures 2014
Salaries	$ 1,313	$ 6,880	$ 513	$ 338	$ 1,335	$ 1,622	$ 12,001	$ 11,414
Employment benefits	459	2,547	180	121	425	600	4,332	4,585
Community relations	25	88	-	216	-	62	391	471
Contract labor, recruitment and training	41	329	29	28	46	25	498	724
Direct mail/Consulting	-	-	-	-	-	1,093	1,093	1,113
Dues, subscriptions and meetings	8	55	3	3	75	35	179	190
Instructional programs, services and supplies	78	350	-	-	-	-	428	550
Materials and supplies	53	83	9	2	50	18	215	278
Plant and equipment maintenance	641	613	139	38	98	136	1,665	1,838
Professional services	-	12	-	-	239	-	251	189
Publications	26	-	110	154	-	62	352	392
Travel and transportation	3	427	3	1	12	10	456	522
Utilities, taxes and insurance	460	1,406	114	78	51	36	2,145	2,114
Less: Braille publishing income	-	-	(1)	-	-	-	(1)	-
Total before depreciation expenses	3,107	12,790	1,099	979	2,331	3,699	24,005	24,380
Depreciation expense	638	764	8	20	39	31	1,500	1,453
Total functional expenses	$ 3,745	$ 13,554	$ 1,107	$ 999	$ 2,370	$ 3,730	$ 25,505	$ 25,833

NOTE 15 - SUBSEQUENT EVENTS

The Institute evaluated its June 30, 2015 consolidated financial statements for subsequent events through December 18, 2015, the date the consolidated financial statements were available to be issued. The Institute is not aware of any subsequent events which would require recording or disclosure in the consolidated financial statements.