



Consolidated Financial Statements
December 31, 2012 and 2011

American Council of the Blind and Subsidiary

American Council of the Blind and Subsidiary

Table of Contents

December 31, 2012 and 2011

Independent Auditor's Report.....	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statement of Functional Expenses	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements.....	8
Independent Auditor's Report on Supplementary Information	20
Supplementary Information	
Consolidating Statements of Financial Position	21
Consolidating Statement of Activities and Changes in Net Assets.....	22



Independent Auditor's Report

The Board of Directors
American Council of the Blind and Subsidiary
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Council of the Blind and Subsidiary (the Organizations) which comprise the consolidated statements of financial position as of December 31, 2011 and 2012, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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 American Council of the Blind and Subsidiary as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Sallee LLP

Minneapolis, Minnesota
August 7, 2013

American Council of the Blind and Subsidiary
Consolidated Statements of Financial Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	\$ 109,940	\$ 81,602
Accounts receivable, including promises to give, net of allowance of \$1,905 in 2012 and 2011	32,172	3,078
Inventories	68,545	78,195
Prepaid expenses	26,145	24,426
Total current assets	236,802	187,301
Investments		
Operational	3,550	3,550
Board designated reserves	1,305,611	1,716,549
Donor restricted	1,029,783	914,672
Total investments	2,338,944	2,634,771
Other Assets		
Deposits	32,234	32,234
Property and Equipment, Net	136,026	164,806
Total assets	\$ 2,744,006	\$ 3,019,112
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 138,745	\$ 126,516
Accrued expenses	215,892	212,712
Total current liabilities	354,637	339,228
Total liabilities	354,637	339,228
Net Assets		
Unrestricted	1,359,586	1,765,212
Temporarily restricted	504,887	416,876
Permanently restricted	524,896	497,796
Total liabilities and net assets	\$ 2,744,006	\$ 3,019,112

	2012			ACB Consolidated
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenue, Gains and Other Support				
Contributions from individuals and organizations	\$ 367,896	\$ 154,863	\$ 27,100	\$ 549,859
Legacies and bequests	4,429	-	-	4,429
Assessments and dues from local member units	71,793	-	-	71,793
Program fees	226,792	-	-	226,792
Other activities	115,482	-	-	115,482
Miscellaneous income, including interest income	8,825	-	-	8,825
Gain on investments	168,685	110,465	-	279,150
Transfer of net assets	-	-	-	-
Net assets released from restriction	177,317	(177,317)	-	-
Thrift store activities, net	(94,465)	-	-	(94,465)
Total revenue, gains and other support	<u>1,046,754</u>	<u>88,011</u>	<u>27,100</u>	<u>1,161,865</u>
Expenses by Function				
Program services				
Scholarships	58,009	-	-	58,009
Convention	156,738	-	-	156,738
Audio Description Project	118,334	-	-	118,334
ACB Radio	45,434	-	-	45,434
Telephone hotline	59,840	-	-	59,840
Advocacy and government affairs	144,985	-	-	144,985
Program consultation	92,957	-	-	92,957
Membership services	124,978	-	-	124,978
Public awareness	295,938	-	-	295,938
Liason with external organizations	76,915	-	-	76,915
Support services				
Management and general	90,092	-	-	90,092
Fundraising	188,160	-	-	188,160
Total expenses by function	<u>1,452,380</u>	<u>-</u>	<u>-</u>	<u>1,452,380</u>
Changes in Net Assets	(405,626)	88,011	27,100	(290,515)
Net Assets, Beginning of Year	<u>1,765,212</u>	<u>416,876</u>	<u>497,796</u>	<u>2,679,884</u>
Net Assets, End of Year	<u>\$ 1,359,586</u>	<u>\$ 504,887</u>	<u>\$ 524,896</u>	<u>\$ 2,389,369</u>

See Notes to Consolidated Financial Statements

American Council of the Blind and Subsidiary
Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2012 and 2011

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	ACB Consolidated
\$ 492,980	\$ 105,000	\$ 100	\$ 598,080
950,398	-	-	950,398
90,994	-	-	90,994
233,527	-	-	233,527
115,595	-	-	115,595
43,576	-	-	43,576
30,860	7,485	-	38,345
(78,293)	78,293	-	-
22,596	(22,596)	-	-
(158,730)	-	-	(158,730)
<u>1,743,503</u>	<u>168,182</u>	<u>100</u>	<u>1,911,785</u>
59,183	-	-	59,183
184,058	-	-	184,058
61,882	-	-	61,882
74,524	-	-	74,524
60,159	-	-	60,159
139,994	-	-	139,994
90,182	-	-	90,182
93,558	-	-	93,558
339,953	-	-	339,953
62,985	-	-	62,985
90,742	-	-	90,742
193,332	-	-	193,332
<u>1,450,552</u>	<u>-</u>	<u>-</u>	<u>1,450,552</u>
292,951	168,182	100	461,233
<u>1,472,261</u>	<u>248,694</u>	<u>497,696</u>	<u>2,218,651</u>
<u>\$ 1,765,212</u>	<u>\$ 416,876</u>	<u>\$ 497,796</u>	<u>\$ 2,679,884</u>

Program Services

	ACB Scholarships	Convention	Audio Description Project	ACB Radio	Telephone Hotline	Advocacy and Government Affairs	Program Consultation
Scholarships and Awards	\$ 22,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and Benefits	5,401	22,506	12,856	18,541	35,028	81,875	36,535
Legal	1	6	3	5	9	20	9
Accounting	129	537	306	442	835	1,952	871
Other Professional Fees	357	21,629	79,214	1,083	467	640	811
Professional Fundraising Services	-	-	-	-	-	-	-
Advertising and Publicity	-	9,131	-	415	415	-	-
Printing and Publications	3,257	12,485	3,257	3,642	385	6,513	6,513
Communications	838	838	838	950	2,291	1,676	1,676
Supplies and Equipment	380	4,556	3,663	788	1,086	2,965	1,559
Postage and Shipping	243	1,828	244	243	195	488	488
Accounting Office	12,246	-	6,123	6,123	-	-	-
IT and Website Services	2,156	2,668	2,156	4,312	2,156	4,312	4,332
Occupancy	1,829	7,621	4,353	6,278	11,861	27,723	12,371
Travel	8,008	10,466	4,067	886	-	6,780	15,428
Meetings and Conferences	-	56,371	-	-	-	2,828	3,232
Depreciation	106	5,645	251	362	684	1,599	714
Insurance	108	451	258	372	702	1,641	732
Memberships and Dues	-	-	745	745	3,726	3,726	3,726
Other Expenses	-	-	-	247	-	247	3,960
Total Functional Expenses	\$ 58,009	\$ 156,738	\$ 118,334	\$ 45,434	\$ 59,840	\$ 144,985	\$ 92,957

See Notes to Consolidated Financial Statements

American Council of the Blind and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2012

Program Services				Supporting Services			
Membership Services	Public Awareness	Liaison	Total	Management and General	Fundraising	Total	Consolidated
\$ -	\$ -	\$ -	\$ 22,950	\$ -	\$ -	\$ -	\$ 22,950
35,593	64,057	38,153	350,545	17,053	48,077	65,130	415,675
9	16	9	87	4	12	16	103
849	1,527	910	8,358	407	1,146	1,553	9,911
469	33,420	478	138,568	5,167	17,400	22,567	161,135
-	98,824	-	98,824	-	32,242	32,242	131,066
692	1,107	-	11,760	-	138	138	11,898
3,898	36,720	-	76,670	-	128	128	76,798
1,676	1,899	1,676	14,358	1,564	838	2,402	16,760
1,317	4,329	1,183	21,826	529	1,490	2,019	23,845
439	930	389	5,487	584	389	973	6,460
12,246	12,246	6,123	55,107	48,984	18,369	67,353	122,460
34,741	8,646	4,312	69,791	2,156	2,163	4,319	74,110
12,052	21,690	12,919	118,697	5,774	16,279	22,053	140,750
9,274	2,821	9,253	66,983	5,512	1,133	6,645	73,628
7,165	707	-	70,303	1,683	-	1,683	71,986
695	1,251	745	12,052	333	939	1,272	13,324
713	1,284	765	7,026	342	964	1,306	8,332
-	1,490	-	14,158	-	745	745	14,903
3,150	2,974	-	10,578	-	45,708	45,708	56,286
<u>\$ 124,978</u>	<u>\$ 295,938</u>	<u>\$ 76,915</u>	<u>\$ 1,174,128</u>	<u>\$ 90,092</u>	<u>\$ 188,160</u>	<u>\$ 278,252</u>	<u>\$ 1,452,380</u>

Program Services

	ACB Scholarships	Convention	Audio Description Project	ACB Radio	Telephone Hotline	Advocacy and Government Affairs	Program Consultation
Scholarships and Awards	\$ 27,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and Benefits	5,337	20,852	11,755	17,265	36,490	78,402	38,653
Legal	90	350	197	290	613	1,317	649
Accounting	124	486	274	403	851	1,828	901
Other Professional Fees	553	25,823	26,990	1,667	733	974	1,268
Professional Fundraising Services	-	-	-	-	-	-	-
Advertising and Publicity	-	10,147	-	248	248	-	-
Printing and Publications	4,677	15,554	4,677	4,815	138	9,354	9,354
Communications	749	749	749	829	2,085	1,497	1,497
Supplies and Equipment	335	3,560	4,101	704	1,127	2,762	1,534
Postage and Shipping	296	2,951	296	296	249	592	592
Accounting Office	11,651	-	5,825	5,825	-	-	-
IT and Website Services	1,592	7,251	1,592	3,184	1,592	3,184	3,184
Occupancy	1,655	6,465	3,645	5,353	11,314	24,310	11,985
Travel	4,424	14,382	668	668	-	5,277	9,726
Meetings and Conferences	-	72,388	-	-	-	4,006	1,944
Depreciation	74	2,589	163	239	506	1,086	536
Insurance	119	466	263	386	816	1,752	864
Memberships and Dues	-	-	678	678	3,390	3,390	3,390
Other Expenses	7	45	9	31,674	7	263	4,105
Total Functional Expenses	\$ 59,183	\$ 184,058	\$ 61,882	\$ 74,524	\$ 60,159	\$ 139,994	\$ 90,182

See Notes to Consolidated Financial Statements

American Council of the Blind and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2011

Program Services				Supporting Services			
Membership Services	Public Awareness	Liaison	Total	Management and General	Fundraising	Total	Consolidated
\$ -	\$ -	\$ -	\$ 27,500	\$ -	\$ -	\$ -	\$ 27,500
37,636	62,924	37,839	347,153	20,370	42,763	63,133	410,286
632	1,057	636	5,831	342	718	1,060	6,891
878	1,467	882	8,094	475	997	1,472	9,566
739	27,678	741	87,166	6,116	14,782	20,898	108,064
-	140,184	-	140,184	-	45,735	45,735	185,919
413	661	-	11,717	-	83	83	11,800
4,906	51,813	-	105,288	-	46	46	105,334
1,497	1,658	1,497	12,807	1,417	749	2,166	14,973
1,333	3,819	1,168	20,443	629	1,320	1,949	22,392
545	1,019	498	7,334	746	498	1,244	8,578
11,651	11,651	-	46,603	46,603	23,302	69,905	116,508
4,047	6,369	3,184	35,179	1,592	1,592	3,184	38,363
11,670	19,511	11,733	107,641	6,316	13,260	19,576	127,217
10,115	1,627	3,429	50,316	4,766	1,169	5,935	56,251
2,239	1,001	-	81,578	629	-	629	82,207
521	872	524	7,110	282	593	875	7,985
841	1,406	846	7,759	455	956	1,411	9,170
-	1,356	-	12,882	-	678	678	13,560
3,895	3,880	8	43,893	4	44,091	44,095	87,988
<u>\$ 93,558</u>	<u>\$ 339,953</u>	<u>\$ 62,985</u>	<u>\$ 1,166,478</u>	<u>\$ 90,742</u>	<u>\$ 193,332</u>	<u>\$ 284,074</u>	<u>\$ 1,450,552</u>

American Council of the Blind and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2012 and 2011

	2012	2011
Operating Activities		
Change in net assets	\$ (290,515)	\$ 461,233
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	55,257	59,807
Loss on disposal of assets	8,229	3,984
Net realized/unrealized gain on investments	(279,150)	(38,345)
Changes in assets and liabilities		
Accounts receivable	(29,094)	(1,187)
Inventories	9,650	17,651
Prepaid expenses	(1,719)	(4,154)
Accounts payable	12,229	(17,632)
Accrued expenses	3,180	35,549
Net Cash from (used for) Operating Activities	(511,933)	516,906
Investing Activities		
Purchase of property and equipment	(35,206)	(34,785)
Sale of property and equipment	500	4,675
Purchase of investments	(25,000)	(1,971,503)
Sale or maturity of investments	599,977	1,509,000
Net Cash from (used for) Investing Activities	540,271	(492,613)
Financing Activities		
Payments on promissory term note	-	(13,347)
Net Cash used for Financing Activities	-	(13,347)
Net Change in Cash and Cash Equivalents	28,338	10,946
Cash and Cash Equivalents, Beginning of Year	81,602	70,656
Cash and Cash Equivalents, End of Year	\$ 109,940	\$ 81,602

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The American Council of the Blind (ACB) and Subsidiary is a nonprofit corporation organized for the purpose of increasing the independence, equality of opportunity and quality of life for people who are blind and visually impaired. ACB's controlled subsidiary, American Council of the Blind Enterprises and Services, Inc. (ACBES), owns and operates seven thrift stores for the benefit of ACB.

ACB's operations are financed through its subsidiary's retail thrift stores which sell merchandise principally donated by the general public. Additional funds are provided by public support from contributions, solicitations, dues, legacies and bequests.

Principles of Consolidation

The consolidated financial statements include the accounts of ACB and ACBES (also referred to as the Organizations) because ACB has both control and economic interest in ACBES. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Organizations consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the Organizations are excluded from this definition.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for scholarships and other miscellaneous items. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

Promises to Give

Unconditional promises to give expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. Management determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Inventories

Donated inventory is valued at the lower of the cost of soliciting, transporting and sorting the donated merchandise or market value. Purchased inventory is valued at the lower of the cost of the merchandise and transportation costs on a first-in, first-out method of valuation or market value.

Property and Equipment

Property and equipment additions over \$500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from one to ten years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments and Restricted Funds

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment gain/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

The Organizations report investments and cash and cash equivalent assets that are associated with donor restrictions and Board of Director designated reserves, including other restricted cash, as donor restricted investments and Board designated reserves investments on the consolidated statement of financial position.

Net Assets

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

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted Board designated net assets consist of net assets designated by the Board of Directors for future operations. \$1,286,906 and \$1,388,225 at December 31, 2012 and 2011, respectively, have been designated by the Board of Directors as a reserve for future operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of the Organizations and/or the passage of time, and certain income earned on permanently restricted net assets that has not yet been appropriated for expenditure by the Organizations' Board of Directors.

The Organizations report contributions restricted by donors as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of the Organizations. The restrictions stipulate that resources be maintained permanently but permit the Organizations to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Thrift store revenue is recognized upon sale of the merchandise to thrift store customers and other third party merchandise customers. Merchandise is sold as is and without warranty.

Membership dues are received from individuals and special interest affiliates of ACB and are recognized during the period covered.

The Organizations had Board member contributions of \$23,130 and \$12,259 consisting of cash and in-kind gifts for the years ended December 31, 2012 and 2011, respectively.

Advertising Costs

Advertising costs are expensed as incurred, and totaled \$41,152 and \$47,356 for the years ended December 31, December 31, 2012, respectively.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Organizations are organized as nonprofit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for the charitable contribution deduction. The Organizations are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Each entity has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organizations believe that they have appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organizations would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Organizations manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organizations have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and minimal receivable balances at year end. Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management and the Board of Directors believe that the investment policies and guidelines are prudent for the long-term welfare of the Organizations.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Subsequent Events

The Organizations have evaluated subsequent events through August 7, 2013, the date which the consolidated financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

Certain assets and liabilities are reported at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization’s assessment of the quality, risk or liquidity profile of the asset or liability.

A significant portion of the Organization’s investment assets are classified within Level 1 because they are comprised of cash and money market mutual funds (reported at cost) and other securities with readily determinable fair values based on daily redemption values. The Organization invests in certificates of deposit traded in the financial markets. Those certificates of deposit and U.S. Government obligations are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

The following table presents the fair value hierarchy for the balances of the assets of the Organizations measured at fair value on a recurring basis as of December 31, 2012 and 2011:

	2012			Total
	Level 1	Level 2	Level 3	
Restricted investments				
Cash and money market funds (at cost)	\$ 128,421	\$ -	\$ -	\$ 128,421
Equity securities				
U.S. equities	612,436	-	-	612,436
International equities	458,808	-	-	458,808
Mutual funds				
Taxable fixed income	993,725	-	-	993,725
Real estate funds	122,775	-	-	122,775
Certificates of deposit	-	19,229	-	19,229
Other	3,550	-	-	3,550
Total	<u>\$ 2,319,715</u>	<u>\$ 19,229</u>	<u>\$ -</u>	<u>\$ 2,338,944</u>

American Council of the Blind and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

	2011			Total
	Level 1	Level 2	Level 3	
Restricted investments				
Cash and money market funds (at cost)	\$ 130,164	\$ -	\$ -	\$ 130,164
Equity securities				
U.S. equities	638,381	-	-	638,381
International equities	431,490	-	-	431,490
Mutual funds				
Taxable fixed income	997,746	-	-	997,746
Real estate funds	113,132	-	-	113,132
Certificates of deposit	-	320,308	-	320,308
Other	3,550	-	-	3,550
Total	<u>\$ 2,314,463</u>	<u>\$ 320,308</u>	<u>\$ -</u>	<u>\$ 2,634,771</u>

Fair Value of Financial Instruments Not Required To Be Reported at Fair Value

The carrying amounts of cash and cash equivalents, accounts receivable, including promises to give, accounts payable, and accrued expenses, approximate fair value due to the short-term nature of the items.

Note 3 - Net Investment Return

Net investment return consists of the following for the years ended December 31, 2012 and 2011:

	2012	2011
Interest and dividend income	\$ 94,744	\$ 83,453
Realized gains (losses), net	47,541	152,864
Unrealized gains (losses), net	160,307	(177,678)
Expenses	<u>(23,442)</u>	<u>(20,294)</u>
Total	<u>\$ 279,150</u>	<u>\$ 38,345</u>

Note 4 - Property and Equipment

Property and equipment consists of the following at December 31, 2012 and 2011:

	2012	2011
Trucks	\$ 323,202	\$ 411,700
Equipment and signs	576,373	544,926
Leasehold improvements	173,610	171,143
	1,073,185	1,127,769
Less accumulated depreciation	937,159	962,963
	\$ 136,026	\$ 164,806

Depreciation expense was \$55,253 and \$59,807 for the years ended December 31, 2012 and 2011, respectively.

Note 5 - Accrued Expenses

Accrued expenses consist of the following at December 31, 2012 and 2011:

	2012	2011
Wages and compensated balances	\$ 182,510	\$ 161,427
Sales taxes	22,499	12,151
Accrued rent on leased facilities	1,383	5,004
Other	9,500	34,130
	\$ 215,892	\$ 212,712

Note 6 - Commitments

At December 31, 2012, ACB was committed under a noncancelable operating lease for its administrative office and ACBES was committed under noncancelable operating leases for its administrative office and thrift stores. These leases expire on various dates through January 2016 and generally include renewal options. Some of the leases require payment of property taxes, common area maintenance expenses and insurance. Future minimum lease payments are as follows:

Years Ending December 31,	ACB	ACBES	Total
2013	\$ 118,531	\$ 461,007	\$ 579,538
2014	122,769	457,404	580,173
2015	124,308	142,538	266,846
2016	10,670	-	10,670
2017	-	-	-
Total	\$ 376,278	\$ 1,060,949	\$ 1,437,227

ACB rent expense was \$140,748 and \$127,426 for the years ended December 31, 2012 and 2011, respectively. ACBES rent expense was \$578,526 and \$666,078 for the years ended December 31, 2012 and 2011, respectively.

The Organizations have entered into various hospitality contracts for purposes of hosting the Organizations' annual conferences. The contracts include terms for the minimum room nights to be reserved by conference attendees and the minimum number of meals served. The Organizations are generally liable for compensating the hospitality providers if minimum room and meal quotas are not met. Although it is unlikely the Organizations will not meet their minimum quotas, at December 31, 2012, the Organizations' commitments to hospitality providers totaled approximately \$793,247 for conferences scheduled through 2014.

Note 7 - Endowment

The Organizations' endowment consists of a variety of individual funds established for a variety of purposes. The endowment includes donor-restricted and Board designated endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the American Council of the Blind has interpreted the District of Columbia Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organizations classify as permanently restricted net assets (1) the original value of the gifts to the permanent endowment, (2) the value of subsequent gifts to the permanent endowment, and (3) accumulations made pursuant to the direction of the applicable donor gift investment at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organizations in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organizations consider 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 organization 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 organization
- The investment policies of the organization

American Council of the Blind and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

As of December 31, 2012 and 2011, the Organizations had the following endowment net asset composition by type of fund:

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds	\$ -	\$ 90,110	\$ 524,896	\$ 615,006
Board restricted endowment funds	\$ -	\$ 280,000	\$ -	\$ 280,000
	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 10,499	\$ 497,796	\$ 508,295
Board restricted endowment funds	\$ -	\$ 280,000	\$ -	\$ 280,000

Investment and Spending Policies

The Organizations invest its endowment fund in a balanced portfolio of debt and equity securities with the objective of growing the asset base to increase income for future appropriations of scholarships. The balanced portfolio investment return objective is to produce real returns, net of inflation of approximately 7% over time at a moderate level of risk to invested capital.

The Board of Directors approved appropriations of \$19,500 and \$17,000 during 2012 and 2011, respectively, of the endowment fund balance as of the end of the prior year. The amount is determined based on the overall needs of the Organizations balanced with the long-term investment return objectives for a fund to be held in perpetuity.

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organizations to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported as unrestricted net assets were \$0 and \$0 at December 31, 2012 and 2011, respectively.

American Council of the Blind and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2012 and 2011

Changes in endowment net assets for the year ending December 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments January 1, 2012	\$ -	\$ 290,499	\$ 497,796	\$ 788,295
Investment income (loss)	-	99,111	-	99,111
Contributions	-	-	27,100	27,100
Other transfers	-	-	-	-
Appropriations of endowment assets for expenditure	-	(19,500)	-	(19,500)
Endowment investments December 31, 2012	<u>\$ -</u>	<u>\$ 370,110</u>	<u>\$ 524,896</u>	<u>\$ 895,006</u>

Changes in endowment net assets for the year ending December 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment investments January 1, 2011	\$ (5,292)	\$ 121,203	\$ 497,696	\$ 613,607
Investment income (loss)	16,759	(3,463)	-	13,296
Contributions	-	100,000	100	100,100
Other transfers	5,533	72,759	-	78,292
Appropriations of endowment assets for expenditure	(17,000)	-	-	(17,000)
Endowment investments December 31, 2011	<u>\$ -</u>	<u>\$ 290,499</u>	<u>\$ 497,796</u>	<u>\$ 788,295</u>

Note 8 - Restricted Net Assets

Temporarily Restricted

The Organizations have temporarily restricted net assets in the amount of \$504,887 and \$416,876 as of December 31, 2012 and 2011, respectively. The assets are restricted for scholarships. The amount of temporarily restricted net assets released from restriction in 2012 was \$177,317 and \$22,596 in 2011.

Permanently Restricted

The Organizations have permanently restricted net assets for investment that are to be held in perpetuity with income available to support scholarships as specified by the donors.

Note 9 - Employee Benefits

The Organizations administer a tax deferred annuity plan under Section 403(b) of the Internal Revenue Code for the benefit of the employees of ACB and ACBES. Under the plan, employees may voluntarily contribute a percentage of their pretax gross compensation to the plan, subject to IRS Code regulations. The Organizations made contributions of \$23,223 and \$20,610 in 2012 and 2011, respectively.

Note 10 - Activities Reported, Net

The Organizations reported as support and revenue its sales and contributions from the thrift store and vehicle donation activities, net of expenses. These activities consisted of sales and contributions, net of expenses, as follows:

	2012		2011	
	Thrift Store	Vehicle Donations	Thrift Store	Vehicle Donations
Sales and contributions	\$ 2,414,654	\$ 21,450	\$ 2,678,100	\$ 32,675
Activity expenses	2,509,119	14,429	2,836,830	23,062
Net support and revenue	\$ (94,465)	\$ 7,021	\$ (158,730)	\$ 9,613

The thrift store and vehicle donation activities are reported net as thrift store activities and contributions from individuals and organizations. Activity expenses noted above are reported on a consolidated basis, after elimination of expenses paid to ACB.

Note 11 - ACBES Thrift Store Activities

The unrestricted activities of the ACB's controlled subsidiary, ACBES, for the years ended December 31, 2012 and 2011 are summarized below:

	2012	2011
Thrift store sales	\$ 2,418,914	\$ 2,677,154
Operating costs		
Donated goods collection costs, including cost of goods sold	423,855	497,803
Thrift store operating expenses	2,085,264	2,339,027
Total operating costs	2,509,119	2,836,830
Income (loss) from thrift store operations	(90,205)	(159,676)
Other income (expense), net	(4,260)	946
Net increase (decrease) in unrestricted net assets	\$ (94,465)	\$ (158,730)



Supplementary Information
December 31, 2012 and 2011

American Council of the Blind and Subsidiary



Independent Auditor's Report on Consolidating Information

The Board of Directors
American Council of the Blind and Subsidiary
Minneapolis, Minnesota

We have audited the consolidated financial statements of American Council of the Blind and Subsidiary (the Organizations) as of and for the years ended December 31, 2012 and 2011, and our report thereon dated August 7, 2013, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental schedules on pages 21 - 23 are presented for the purpose of additional analysis 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 information has been subjected to the auditing procedures applied in our audits 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 information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Eide Bailly LLP

Minneapolis, Minnesota
August 7, 2013

	2012			ACB
	ACB	ACBES	Eliminations	Consolidated
Assets				
Current Assets				
Cash and cash equivalents	\$ 51,858	\$ 58,082	\$ -	\$ 109,940
Accounts receivable, including pledge receivables, net	1,231,816	-	(1,199,644)	32,172
Inventories	7,737	60,808	-	68,545
Prepaid expenses	15,637	10,508	-	26,145
Total current assets	1,307,048	129,398	(1,199,644)	236,802
Investments				
Operational	3,550	-	-	3,550
Board designated reserves	1,305,611	-	-	1,305,611
Donor restricted	1,029,783	-	-	1,029,783
Total investments	2,338,944	-	-	2,338,944
Other Assets				
Deposits	8,426	23,808	-	32,234
Equipment and Leasehold Improvements, Net				
	48,388	87,638	-	136,026
Equity in ACBES	(1,145,980)	-	1,145,980	-
Total assets	\$ 2,556,826	\$ 240,844	\$ (53,664)	\$ 2,744,006
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	\$ 87,855	\$ 1,250,529	\$ (1,199,639)	\$ 138,745
Accrued expenses	79,602	136,290	-	215,892
Total current liabilities	167,457	1,386,819	(1,199,639)	354,637
Total liabilities	167,457	1,386,819	(1,199,639)	354,637
Net Assets				
Unrestricted	1,359,586	(1,145,975)	1,145,975	1,359,586
Temporarily restricted	504,887	-	-	504,887
Permanently restricted	524,896	-	-	524,896
	2,389,369	(1,145,975)	1,145,975	2,389,369
Total liabilities and net assets	\$ 2,556,826	\$ 240,844	\$ (53,664)	\$ 2,744,006

American Council of the Blind and Subsidiary
Consolidating Statements of Financial Position
December 31, 2012 and 2011

2011			
ACB	ACBES	Eliminations	ACB Consolidated
\$ 68,560	\$ 13,042	\$ -	\$ 81,602
1,074,054	-	(1,070,976)	3,078
8,174	70,021	-	78,195
6,218	18,208	-	24,426
1,157,006	101,271	(1,070,976)	187,301
3,550			3,550
1,716,549			1,716,549
914,672	-	-	914,672
2,634,771	-	-	2,634,771
8,426	23,808	-	32,234
34,524	130,282	-	164,806
(990,980)	-	990,980	-
\$ 2,843,747	\$ 255,361	\$ (79,996)	\$ 3,019,112
\$ 81,957	\$ 1,115,535	\$ (1,070,976)	\$ 126,516
81,906	130,806	-	212,712
163,863	1,246,341	(1,070,976)	339,228
163,863	1,246,341	(1,070,976)	339,228
1,765,212	(990,980)	990,980	1,765,212
416,876	-	-	416,876
497,796	-	-	497,796
2,679,884	(990,980)	990,980	2,679,884
\$ 2,843,747	\$ 255,361	\$ (79,996)	\$ 3,019,112

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Revenue, Gains and Other Support			
Contributions from individuals and organizations	\$ 367,896	\$ 154,863	\$ 27,100
Legacies and bequests	4,429	-	-
Assessments and dues from local member units	71,793	-	-
Program fees	226,792	-	-
Other activities	115,482	-	-
Miscellaneous income, including interest income	61,055	-	-
Gain on investments	168,685	110,465	-
Transfer of net assets	-	-	-
Net assets released from restriction	177,317	(177,317)	-
Thrift store activities, net	-	-	-
Equity in income (loss) of ACBES	(146,695)	-	-
Total revenue, gains and other support	<u>1,046,754</u>	<u>88,011</u>	<u>27,100</u>
Expenses by Function			
Program services			
Scholarships	58,009	-	-
Convention	156,738	-	-
Audio Description Project	118,334	-	-
ACB Radio	45,434	-	-
Telephone hotline	59,840	-	-
Advocacy and government affairs	144,985	-	-
Program consultation	92,957	-	-
Membership services	124,978	-	-
Public awareness	295,938	-	-
Liason with external organizations	76,915	-	-
Support services			
Management and general	90,092	-	-
Fundraising	188,160	-	-
Total expenses by function	<u>1,452,380</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	(405,626)	88,011	27,100
Net Assets, Beginning of Year	1,765,212	416,876	497,796
ACBES Distributions to ACB	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 1,359,586</u>	<u>\$ 504,887</u>	<u>\$ 524,896</u>

American Council of the Blind and Subsidiary
Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2012

<u>ACB Consolidated</u>	<u>ACBES</u>	<u>Eliminations</u>	<u>ACB Consolidated</u>
\$ 549,859	\$ -	\$ -	\$ 549,859
4,429	-	-	4,429
71,793	-	-	71,793
226,792	-	-	226,792
115,482	-	-	115,482
61,055	-	(52,230)	8,825
279,150	-	-	279,150
-	-	-	-
-	-	-	-
-	(146,695)	52,230	(94,465)
(146,695)	-	146,695	-
<u>1,161,865</u>	<u>(146,695)</u>	<u>146,695</u>	<u>1,161,865</u>
58,009	-	-	58,009
156,738	-	-	156,738
118,334	-	-	118,334
45,434	-	-	45,434
59,840	-	-	59,840
144,985	-	-	144,985
92,957	-	-	92,957
124,978	-	-	124,978
295,938	-	-	295,938
76,915	-	-	76,915
90,092	-	-	90,092
188,160	-	-	188,160
<u>1,452,380</u>	<u>-</u>	<u>-</u>	<u>1,452,380</u>
(290,515)	(146,695)	146,695	(290,515)
2,679,884	(990,980)	990,980	2,679,884
-	(8,300)	8,300	-
<u>\$ 2,389,369</u>	<u>\$ (1,145,975)</u>	<u>\$ 1,145,975</u>	<u>\$ 2,389,369</u>

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Revenue, Gains and Other Support			
Contributions from individuals and organizations	\$ 492,980	\$ 105,000	\$ 100
Legacies and bequests	950,398	-	-
Assessments and dues from local member units	90,994	-	-
Program fees	233,527	-	-
Other activities	115,595	-	-
Miscellaneous income, including interest income of \$42,728	84,800	-	-
Gain (loss) on investments	30,860	7,485	-
Transfer of net assets	(78,293)	78,293	-
Net assets released from restriction	22,596	(22,596)	-
Thrift store activities, net	-	-	-
Equity in income (loss) of ACBES	(199,954)	-	-
Total revenue, gains and other support	<u>1,743,503</u>	<u>168,182</u>	<u>100</u>
Expenses by Function			
Program services			
Scholarships	59,183	-	-
Convention	184,058	-	-
Audio Description Project	61,882	-	-
ACB Radio	74,524	-	-
Telephone hotline	60,159	-	-
Advocacy and government affairs	139,994	-	-
Program consultation	90,182	-	-
Membership services	93,558	-	-
Public awareness	339,953	-	-
Liason with external organizations	62,985	-	-
Support services			
Management and general	90,742	-	-
Fundraising	193,332	-	-
Total expenses by function	<u>1,450,552</u>	<u>-</u>	<u>-</u>
Changes in Net Assets	292,951	168,182	100
Net Assets, Beginning of Year	1,472,261	248,694	497,696
ACBES Distributions to ACB	-	-	-
Net Assets, End of Year	<u>\$ 1,765,212</u>	<u>\$ 416,876</u>	<u>\$ 497,796</u>

American Council of the Blind and Subsidiary
Consolidating Statement of Activities and Changes in Net Assets
Year Ended December 31, 2011

<u>ACB Consolidated</u>	<u>ACBES</u>	<u>Eliminations</u>	<u>ACB Consolidated</u>
\$ 598,080	\$ -	\$ -	\$ 598,080
950,398	-	-	950,398
90,994	-	-	90,994
233,527	-	-	233,527
115,595	-	-	115,595
84,800	-	(41,224)	43,576
38,345	-	-	38,345
-	-	-	-
-	(199,954)	41,224	(158,730)
(199,954)	-	199,954	-
<u>1,911,785</u>	<u>(199,954)</u>	<u>199,954</u>	<u>1,911,785</u>
59,183	-	-	59,183
184,058	-	-	184,058
61,882	-	-	61,882
74,524	-	-	74,524
60,159	-	-	60,159
139,994	-	-	139,994
90,182	-	-	90,182
93,558	-	-	93,558
339,953	-	-	339,953
62,985	-	-	62,985
90,742	-	-	90,742
193,332	-	-	193,332
<u>1,450,552</u>	<u>-</u>	<u>-</u>	<u>1,450,552</u>
461,233	(199,954)	199,954	461,233
2,218,651	(655,306)	655,306	2,218,651
-	(135,720)	135,720	-
<u>\$ 2,679,884</u>	<u>\$ (990,980)</u>	<u>\$ 990,980</u>	<u>\$ 2,679,884</u>