

**VISION LOSS RESOURCES, INC.
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2022 and 2021

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES

ORGANIZATION

Date Organized	1914
Under Laws of State of	Minnesota
Fiscal Year-End	December 31

OFFICERS, DIRECTORS, AND MANAGEMENT

Andy Freeman	Board Chair
Mary Bear-Dukes	Vice Board Chair
Susan Markey	Secretary
Mike Treece	Treasurer
Dr. Abdhish Bhavsar, M.D.	Director
Vanessa Bonn	Director
Ellen Conway	Director
Rishi Donat	Director
Joe DuPay	Director
Mike Hanson	Director
Corrine Kroehler	Director
Dr. Chris Palmer, O.D.	Director
Denise Raunig	Director
Celeste Schumacher	Director
Sarah Snapp	Director
Kate Grathwol, PhD	President/CEO
Charles Stroud	CFO/COO

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities.....	5
Consolidated Statements of Functional Expenses.....	6
Consolidated Statements of Cash Flows.....	7
Notes to the Consolidated Financial Statements.	8
SUPPLEMENTARY INFORMATION	
Consolidating Statement of Financial Position	29
Consolidating Statement of Activities.	31
Vision Loss Resources, Inc. Unconsolidated Statements of Functional Expenses.....	33
DeafBlind Services Minnesota, LLC Unconsolidated Statements of Functional Expenses.	34
VLR Foundation Unconsolidated Statement of Functional Expenses.....	35
Contract Production Services, LLC Unconsolidated Statement of Functional Expenses.....	36



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vision Loss Resources, Inc. and Subsidiaries
Little Canada, Minnesota

Opinion

We have audited the accompanying consolidated financial statements of Vision Loss Resources, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Vision Loss Resources, Inc. and Subsidiaries as of December 31, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Vision Loss Resources, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Supplementary Information

Our audits were conducted for the purpose of expressing an opinion on the consolidated financial statements as a whole. The supplementary information on pages 29 to 36 is presented for the purpose of additional analysis and is 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 the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the matter described below, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

The accompanying consolidating information on pages 29 to 36 does not include right-to-use lease assets and lease liabilities for material related-party leases that fully eliminate upon consolidation. Management has informed us that they have not determined the effects of not including related-party leases in the consolidating information.

A handwritten signature in dark ink, appearing to read "Carlson SV JH".

Amery, Wisconsin
April 21, 2023

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS		
	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,439,785	\$ 3,099,293
Investments	1,718,595	3,039,344
Receivables, net	2,296,842	2,147,378
Inventories	4,171,595	3,903,741
Prepaid expenses and other current assets	149,535	291,188
Income taxes refundable	221,550	-
Total Current Assets	<u>9,997,902</u>	<u>12,480,944</u>
OTHER ASSETS		
Restricted cash	189,615	189,565
Real estate held for sale	1,845,694	-
Operating lease right-of-use asset	<u>1,617,266</u>	<u>-</u>
Total Other Assets	<u>3,652,575</u>	<u>189,565</u>
PROPERTY AND EQUIPMENT		
Property and equipment	13,416,924	14,113,574
Accumulated depreciation	<u>(2,268,473)</u>	<u>(4,331,932)</u>
Property and Equipment, Net	<u>11,148,451</u>	<u>9,781,642</u>
TOTAL ASSETS	<u>\$ 24,798,928</u>	<u>\$ 22,452,151</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,217,548	\$ 1,292,035
Accrued expenses	278,445	503,144
Obligations under operating leases	293,445	-
Current portion of long-term debt	104,336	11,525
Income taxes payable	-	217,250
Total Current Liabilities	<u>1,893,774</u>	<u>2,023,954</u>
LONG-TERM LIABILITIES		
Obligations under operating leases	1,366,008	-
Long-term debt	<u>7,447,696</u>	<u>5,613,123</u>
Total Long-term Liabilities	<u>8,813,704</u>	<u>5,613,123</u>
Total Liabilities	<u>10,707,478</u>	<u>7,637,077</u>
NET ASSETS		
Without donor restrictions	13,901,835	14,625,509
With donor restrictions	<u>189,615</u>	<u>189,565</u>
Total Net Assets	<u>14,091,450</u>	<u>14,815,074</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,798,928</u>	<u>\$ 22,452,151</u>

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

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES						
Revenues, Gains, and Other Support						
Contributions and grants	\$ 281,195	\$ -	\$ 281,195	\$ 1,413,819	\$ -	\$ 1,413,819
In-kind contributions	13,725	-	13,725	-	-	-
Program service revenue	1,127,275	-	1,127,275	1,163,506	-	1,163,506
Investment return, net	(110,538)	50	(110,488)	381,614	19	381,633
Loss on sale of assets	(32)	-	(32)	-	-	-
Miscellaneous revenue	(89,012)	-	(89,012)	32,401	-	32,401
Total Support and Revenue	1,222,613	50	1,222,663	2,991,340	19	2,991,359
Expenses						
Program Services						
Rehab center	696,463	-	696,463	531,093	-	531,093
Community services	744,112	-	744,112	1,010,056	-	1,010,056
Support Services						
Management and general	1,462,319	-	1,462,319	638,712	-	638,712
Fundraising	115,172	-	115,172	80,509	-	80,509
Total Expenses	3,018,066	-	3,018,066	2,260,370	-	2,260,370
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,795,453)	50	(1,795,403)	730,970	19	730,989
MANUFACTURING ACTIVITIES						
Manufacturing sales	20,356,258	-	20,356,258	21,909,279	-	21,909,279
Cost of goods sold	(16,743,532)	-	(16,743,532)	(18,285,628)	-	(18,285,628)
Net manufacturing sales	3,612,726	-	3,612,726	3,623,651	-	3,623,651
Operating expenses	(2,361,938)	-	(2,361,938)	(2,391,882)	-	(2,391,882)
Loss on sale of assets	(7,809)	-	(7,809)	-	-	-
Income taxes	(74,200)	-	(74,200)	(330,000)	-	(330,000)
Total Manufacturing Activities	1,168,779	-	1,168,779	901,769	-	901,769
Unrelated business income taxes	(97,000)	-	(97,000)	-	-	-
CHANGE IN NET ASSETS	(723,674)	50	(723,624)	1,632,739	19	1,632,758
NET ASSETS, BEGINNING OF YEAR	14,625,509	189,565	14,815,074	12,992,770	189,546	13,182,316
NET ASSETS, END OF YEAR	<u>\$ 13,901,835</u>	<u>\$ 189,615</u>	<u>\$ 14,091,450</u>	<u>\$ 14,625,509</u>	<u>\$ 189,565</u>	<u>\$ 14,815,074</u>

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

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2022 and 2021

	2022					
	Manufacturing	Program Services		Supporting Services		Total
		Rehab Center	Community Services	Management and General	Fundraising	
Cost of Sales						
Direct labor	\$ 1,396,476	\$ -	\$ -	\$ -	\$ -	\$ 1,396,476
Contract labor	4,228,890	-	-	-	-	4,228,890
Materials and freight	10,450,307	-	-	-	-	10,450,307
Benefits and other	667,859	-	-	-	-	667,859
Total Cost of Sales	16,743,532	-	-	-	-	16,743,532
Salaries and benefits	1,186,258	473,182	614,946	354,173	95,987	2,724,546
Fees for services	29,352	10,502	206	320,777	1,996	362,833
Advertising and promotion	4,615	-	260	-	501	5,376
Office expenses	310,492	19,934	16,470	25,354	2,619	374,869
Information technology	54,705	26,100	9,434	7,728	2,576	100,543
Occupancy	518,472	65,500	128	284,668	943	869,711
Travel and transportation	14,297	17,353	73,199	1,593	1,270	107,712
Conferences, conventions, and meetings	469	20,051	4,004	879	125	25,528
Interest expense	2,345	20,064	-	297,511	-	319,920
Depreciation	189,724	19,536	-	141,430	468	351,158
Client program expense	-	-	4,955	-	-	4,955
Insurance	28,009	4,600	2,395	15,637	157	50,798
Other	23,200	19,641	18,115	12,569	8,530	82,055
	19,105,470	696,463	744,112	1,462,319	115,172	22,123,536
Less expenses included with revenues on the statement of activities						
Manufacturing cost of sales	(16,743,532)	-	-	-	-	(16,743,532)
TOTAL	\$ 2,361,938	\$ 696,463	\$ 744,112	\$ 1,462,319	\$ 115,172	\$ 5,380,004

	2021					
	Manufacturing	Program Services		Supporting Services		Total
		Rehab Center	Community Services	Management and General	Fundraising	
Cost of Sales						
Direct labor	\$ 1,518,318	\$ -	\$ -	\$ -	\$ -	\$ 1,518,318
Contract labor	5,531,526	-	-	-	-	5,531,526
Materials and freight	10,696,506	-	-	-	-	10,696,506
Benefits and other	539,278	-	-	-	-	539,278
Total Cost of Sales	18,285,628	-	-	-	-	18,285,628
Salaries and benefits	1,177,328	430,413	836,397	137,979	49,549	2,631,666
Fees for services	32,120	3,880	3,952	422,647	22,850	485,449
Advertising and promotion	3,546	127	197	2,290	69	6,229
Office expenses	275,213	5,701	24,141	25,285	680	331,020
Occupancy	602,851	58,534	30,581	28,665	-	720,631
Travel and transportation	1,919	2,340	68,599	286	-	73,144
Conferences, conventions, and meetings	1,632	14,487	2,598	-	-	18,717
Interest expense	40,484	-	-	-	-	40,484
Depreciation	247,197	14,039	14,039	5,513	-	280,788
Client program expense	-	-	6,271	-	-	6,271
Other	9,592	1,572	23,281	16,047	7,361	57,853
	20,677,510	531,093	1,010,056	638,712	80,509	22,937,880
Less expenses included with revenues on the statement of activities						
Manufacturing cost of sales	(18,285,628)	-	-	-	-	(18,285,628)
TOTAL	\$ 2,391,882	\$ 531,093	\$ 1,010,056	\$ 638,712	\$ 80,509	\$ 4,652,252

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

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (723,624)	\$ 1,632,758
Adjustments to reconcile increase in net assets to net cash used by operating activities		
Depreciation and debt issuance costs amortization	380,317	282,215
Realized gain on investments	(44,680)	(914,170)
Unrealized loss on investments	222,543	593,129
Donated investments	(3,099)	(67,186)
Noncash donated property and equipment	(13,725)	-
Loss on disposal of property and equipment	7,841	-
PPP loan forgiveness	-	(690,000)
Net operating changes in		
Receivables, net	(149,464)	(375,976)
Inventories	(267,854)	(1,579,750)
Income taxes refundable	(221,550)	-
Prepaid expense	141,653	(9,332)
Operating lease assets and liabilities	42,187	-
Accounts payable	(74,487)	697,118
Accrued expenses	(224,699)	83,428
Income taxes payable	(217,250)	132,778
Net Cash Used by Operating Activities	<u>(1,145,891)</u>	<u>(214,988)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(3,557,777)	(7,169,598)
Proceeds from disposition of investments	2,420,577	4,184,832
Purchases of investments	<u>(1,274,592)</u>	<u>(2,477,952)</u>
Net Cash Used by Investing Activities	<u>(2,411,792)</u>	<u>(5,462,718)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	2,199,096	5,670,245
Payments on long-term debt	(22,786)	(4,224)
Payments on debt issuance costs	<u>(278,085)</u>	<u>(42,800)</u>
Net Cash Provided by Financing Activities	<u>1,898,225</u>	<u>5,623,221</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>(1,659,458)</u>	<u>(54,485)</u>
BEGINNING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>3,288,858</u>	<u>3,343,343</u>
ENDING CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	<u>\$ 1,629,400</u>	<u>\$ 3,288,858</u>
SUPPLEMENTAL DISCLOSURE		
Cash payments during the year for		
Income tax	\$ 610,000	\$ 197,216
Interest	290,211	21,482
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	344,615	-
Operating cash flows from financing leases	2,345	-
Financing cash flows from finance leases	11,279	-
Right-of-use assets obtained in exchange for lease liabilities		
Finance leases	21,996	-
NON-CASH DISCLOSURE		
Investments acquired through donation	3,099	67,186
Property and equipment acquired through in-kind contributions	13,725	-
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH CONSISTS OF		
Current Assets		
Cash and cash equivalents	1,439,785	3,099,293
Other Assets		
Restricted cash	<u>189,615</u>	<u>189,565</u>
TOTAL	<u>\$ 1,629,400</u>	<u>\$ 3,288,858</u>

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

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Nature of Organization

Vision Loss Resources, Inc. (the Organization) was founded in 1914 as a workshop for the blind and was incorporated in March 1955. The Organization provides adjustment to blindness rehabilitation training for working age adults, with the goal of returning to work. Community services provide rehabilitation training, social emotional support, and educational and recreational services for older adults with visual impairments. The mission of Vision Loss Resources is to create a community of services, skills, and support for people with vision loss.

DeafBlind Services Minnesota, LLC is a wholly owned subsidiary of Vision Loss Resources, Inc. DeafBlind Services Minnesota (DBSM) brings one-to-one support to deafblind individuals of all ages, throughout Minnesota. The Organization trained support service providers (SSPs) work with adults, while their interveners teach communication skills to infants, children, and youth.

VLR Foundation was formed in 2022 and is a wholly owned subsidiary of Vision Loss Resources, Inc. The organization holds title to and manages real estate located in Little Canada, Minnesota.

Contract Production Services, LLC is a wholly owned for-profit subsidiary of Vision Loss Resources, Inc. In 2022, the organization was spun-off from Vision Loss Resources, Inc. as a for profit entity. The organization provides packaging and assembly work.

Program Activities

The Organization's program activities include a rehabilitation center and community services. The Rehabilitation Center is a full-service, comprehensive training center providing skills for independent living and vocational endeavors. Community Services is a community-based support network for individuals and their families, providing training, equipment, and support for independent living and enhanced quality of life. These services are provided to blind or visually impaired persons throughout the state of Minnesota but primarily in the nine-county Twin Cities metropolitan area.

The following is a summary of significant accounting policies followed in the preparation of these financial statements:

Basis of Consolidation

The consolidated financial statements include the accounts of Vision Loss Resources, Inc., DeafBlind Services Minnesota, LLC, VLR Foundation, and Contract Production Services, LLC, which are referred to collectively throughout the notes as the Organization. All significant intercompany balances and transactions have been eliminated.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors or grantors: net assets without donor restrictions and net assets with donor restrictions.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities, as applicable. Operating activities consist of those items attributable to the Organization's ongoing program services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments, manufacturing activities of for-profit organization Contract Production Services, LLC, and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and savings accounts with financial institution believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced, nor does it anticipate, any losses with respect to such accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from customer receivables, governmental agencies, and organizations supportive of our mission. Investments are monitored by the Organization and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Organization believes that the investment policies and guidelines are prudent for the long-term.

Cash, Cash Equivalents, and Restricted Cash

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, 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 building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for customer accounts receivable. The Organization determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectible. At December 31, 2022 and 2021, the allowance was \$8,135.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are 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 statements of activities. The Organization determines the allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible. At December 31, 2022 and 2021 there were no contributions receivable.

Investments

Investments are reported at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statements of activities in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Inventories

Inventories consist of raw materials and work-in-process and are stated at the lower of cost or net realizable value. Cost is determined by the weighted average cost method. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in the statement of activities in the period in which it occurs.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the lesser of the estimated useful lives of the assets ranging from three to fifty years, or in the case of capitalized leased assets or leasehold improvement, the lesser of the useful life of the asset or the lease term. The Organization's policy is to capitalize renewals and betterments acquired for greater than \$5,000 and expense normal repairs and maintenance as incurred. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. The Organization's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recoverable from the estimated future cash flows expected to result from their use and eventual disposition.

Real Estate Held for Sale

Real estate held for sale is measured at the lower of its carrying value or fair value less cost to sell.

Net Assets

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

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where by the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Revenue and Revenue Recognition

The Organization recognizes revenue from sales of packaged and assembled products at the time they are shipped. The Organization classifies freight billed to customers as sales revenue and related freight costs as cost of sales. The Organization recognizes revenue from exchange transactions, primarily program service revenue, as the services are provided to the customer. All goods and services are transferred at a point in time.

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions with donor-imposed stipulations regarding how the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

A portion of the Organization's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditure are reported as refundable advances in the statement of financial position. At December 31, 2022 and 2021 there were no cost-reimbursable grants. No amounts have been received in advance under state contracts and grants.

Donated Services and In-Kind Contributions

Contributed nonfinancial assets include donated furniture which are recorded at the respective fair values of the goods received. The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received on the date of contribution.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

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. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, interest, and depreciation, which are allocated on a square-footage basis, as well as salaries and benefits, fees for services, advertising and promotion, office expenses, information technology, travel and transportation, conferences, conventions and meetings, insurance, and other expenses, which are allocated on the basis of estimates of time and effort.

Advertising

The Organization expenses advertising costs as they are incurred.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar state provisions, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. The Organization files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. Contract Production Services, LLC is subject to federal and state income taxes. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The Organization's policy is to include interest and penalties related to unrecognized tax benefits and liabilities in income tax expense. The Organization has no unrecognized tax benefits or liabilities.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

Change in Accounting Principle
Leases

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued additional ASUs, which amend and clarify Topic 842. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the statements of financial position.

The Organization elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged. Adoption of the standard required the Organization to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets of \$1,935,297, an increase in operating lease liabilities of \$275,845, and an increase in long-term liabilities of \$1,659,452.

Subsequent Events Consideration

Management has evaluated subsequent events through April 21, 2023, the date on which the financial statements were available to be issued. Management has determined that there were no other material events that would require recognition or disclosure in the Organization's financial statements through this date.

Reclassifications

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

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 2 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year end		
Cash, cash equivalents, and restricted cash	\$ 1,629,400	\$ 3,288,858
Investments	1,718,595	3,039,344
Receivables, net	<u>2,296,842</u>	<u>2,147,378</u>
Total financial assets	5,644,837	8,475,580
Less amounts not available to be used within one year		
Net assets with donor restrictions	<u>189,615</u>	<u>189,565</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES OVER THE NEXT TWELVE MONTHS	<u>\$ 5,455,222</u>	<u>\$ 8,286,015</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenses, liabilities, and other obligations become due. As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts, savings accounts, bond exchange traded funds (ETF), and common stock. Vision Loss Resources, Inc. has a \$250,000 line of credit and Contract Production Services, LLC has a \$750,000 line of credit available to meet cash flow needs.

NOTE 3 – RECEIVABLES, NET

Receivables as of December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Trade and other receivables	\$ 2,013,016	\$ 1,861,860
Employee retention credit	262,603	262,603
Deposits and other receivables	<u>29,358</u>	<u>31,050</u>
	2,304,977	2,155,513
Allowance for doubtful accounts	<u>(8,135)</u>	<u>(8,135)</u>
TOTAL	<u>\$ 2,296,842</u>	<u>\$ 2,147,378</u>

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3 – RECEIVABLES, NET (Continued)

Under the provisions of the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) signed into law on March 27, 2020 and the subsequent extension of the CARES Act, the Organization was eligible for a refundable employee retention credit subject to certain criteria. The Organization recognized a \$262,603 employee retention credit during the December 31, 2021 year end. The credit is included in contributions and grants in the statements of activities. The Organization has filed for refunds of the employee retention credits and cannot reasonably estimate when it will receive the refunds.

NOTE 4 – INVENTORIES

Major classifications of inventories as of December 31 are as follows:

	<u>2022</u>	<u>2021</u>
Raw materials	\$ 4,139,198	\$ 3,886,625
Work-in-process	32,397	17,116
TOTAL	<u><u>\$ 4,171,595</u></u>	<u><u>\$ 3,903,741</u></u>

NOTE 5 – INVESTMENTS

Cost, fair value, and gross unrealized gains and losses of investments as of December 31 are summarized as follows:

	<u>US Treasury Notes</u>	<u>Common Stock</u>	<u>Total</u>
2022			
Cost	\$ 725,146	\$1,097,362	\$1,822,508
Gross unrealized gains	3,477	138,126	141,603
Gross unrealized losses	-	(245,516)	(245,516)
TOTAL	<u><u>\$ 728,623</u></u>	<u><u>\$ 989,972</u></u>	<u><u>\$1,718,595</u></u>

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 5 – INVESTMENTS (Continued)

	Bond ETF	Common Stock	Total
2021			
Cost	\$1,514,409	\$1,405,569	\$2,919,978
Gross unrealized gains	-	210,758	210,758
Gross unrealized losses	(24,482)	(66,910)	(91,392)
TOTAL	<u>\$1,489,927</u>	<u>\$1,549,417</u>	<u>\$3,039,344</u>

Net investment return for the years ended December 31, 2022 and 2021 is summarized as follows:

	2022	2021
Realized gains, net	\$ 44,680	\$ 914,170
Change in unrealized losses, net	(222,543)	(593,129)
Interest and dividend income	50,879	101,086
Interest income from leverage loan	40,592	-
Investment fees	(24,096)	(40,494)
TOTAL	<u>\$ (110,488)</u>	<u>\$ 381,633</u>

NOTE 6 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

The Organization reports certain assets 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.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

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 comprise US Treasury notes, bond exchange traded funds and equities with readily determinable fair values based on daily redemption values. The Organization has no Level 2 or Level 3 investments.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6 – FAIR VALUE MEASUREMENTS AND DISCLOSURES (Continued)

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31:

	Total Carrying Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2022				
US Treasury notes	\$ 728,623	\$ 728,623	\$ -	\$ -
Common stock	989,972	989,972	-	-
	<u>\$1,718,595</u>	<u>\$1,718,595</u>	<u>\$ -</u>	<u>\$ -</u>
2021				
Bond ETF	\$1,489,927	\$1,489,927	\$ -	\$ -
Common stock	1,549,417	1,549,417	-	-
	<u>\$3,039,344</u>	<u>\$3,039,344</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 7 – TRUST FUNDS

The Organization is the recipient of income from funds held in trust by others in legal trust instruments created by the donors. The amounts of income received from each trust during 2022 and 2021 are reported in the consolidated statements of activities within contributions and grants.

NOTE 8 – PROPERTY AND EQUIPMENT

Cost of property and equipment as of December 31 consists of the following:

	2022	2021
Land and land improvements	\$ 1,202,259	\$ 258,198
Buildings and improvements	9,766,194	4,652,000
Equipment	2,441,129	2,322,468
Construction in progress	7,342	6,880,908
TOTAL	<u>\$ 13,416,924</u>	<u>\$ 14,113,574</u>

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 – PROPERTY AND EQUIPMENT (Continued)

Depreciation expense on property and equipment amounted to \$351,158 and \$280,788 for the years ended December 31, 2022 and 2021, respectively.

The Organization has construction in progress at year end for a laser enclosure frame/guarding. Costs to date, which have been included in construction in progress, are \$7,342 as of December 31, 2022. The Organization estimates that the total cost of this project will be \$14,684. The Organization estimates that this project will be completed in 2023.

NOTE 9 – LINE OF CREDIT

Vision Loss Resources, Inc. facilitated a \$250,000 line of credit with Bank of America which is secured by essentially all the assets of the Organization. The line of credit has a variable interest rate of the bank's prime rate plus .25%. The line of credit matures October 31, 2023. There was no balance outstanding on the line of credit at December 31, 2022.

Contract Production Services, LLC facilitated a \$750,000 line of credit with Bank of America which is secured by essentially all the assets of the Organization. The line of credit has a variable interest rate of the bank's prime rate plus .25%. The line of credit matures October 31, 2023. There was no balance outstanding on the line of credit at December 31, 2022.

NOTE 10 – LONG-TERM DEBT

Long-term indebtedness as of December 31 is as follows:

	2022	2021
Sunrise Banks - Little Canada loan A	\$ 6,552,900	\$ -
Sunrise Banks - Lyndale building loan	5,612,493	5,624,000
Sunrise Banks - Little Canada loan B	2,177,100	-
Wells Fargo Bank - 2018 Hyster forklift capital lease	19,295	-
Wells Fargo Bank - 2013 Crown forklift capital lease	17,909	22,662
Wells Fargo Bank - 2018 Unicarriers forklift capital lease	15,534	19,359
Leverage lender agreement on Little Canada loan A	(6,552,900)	-
Unamortized debt issuance costs	(290,299)	(41,373)
Total Long-Term Debt, Net	<u>7,552,032</u>	<u>5,624,648</u>
Current portion	<u>(104,336)</u>	<u>(11,525)</u>
TOTAL	<u>\$ 7,447,696</u>	<u>\$ 5,613,123</u>

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 10 – LONG-TERM DEBT (Continued)

The Sunrise Banks Little Canada loan A is secured by the real estate at 3230 Spruce Street, Little Canada, Minnesota. The loan was done through a New Market Tax Credit structure. The Organization is required to maintain specific financial covenants. At December 31, 2022 the Organization was in compliance with these covenants. The fixed rate of interest on the loan is 1.3691%. The maturity date is March 10, 2029. Quarterly interest only payments of \$22,429 are due through the maturity date of the loan. Vision Loss Resources, Inc. is the leverage lender on the full amount of this loan for VLR Foundation so this loan has been eliminated on the consolidated statements of financial position. Vision Loss Resources, Inc. receives interest of 1.00% paid in quarterly installments for being the leverage lender from an outside investor.

The Sunrise Banks Lyndale building loan is secured by the real estate at 1936 Lyndale Avenue South in Minneapolis, Minnesota. The Organization is required to maintain specific financial covenants. At December 31, 2022 the Organization was not in compliance with these covenants, however, they have received a waiver from Sunrise Banks. The fixed rate of interest on the loan is 3.75%. The maturity date is October 27, 2026. Monthly interest only payments of \$17,575 are due through November 2022, and then monthly payments of principal and interest of \$29,082 are due through the maturity date of the loan. At the maturity date a balloon payment of all unpaid principal and accrued interest on the loan is due.

The Sunrise Banks Little Canada loan B is secured by the real estate at 3230 Spruce Street, Little Canada, Minnesota. The loan was done through a New Market Tax Credit structure. The Organization is required to maintain specific financial covenants. At December 31, 2022 the Organization was in compliance with these covenants. The fixed rate of interest on the loan is 1.3691%. The maturity date is March 10, 2029. Quarterly interest only payments of \$7,452 are due through the maturity date of the loan. With the New Market Tax Credit structure at maturity date the Organization can purchase back the building for \$1,000 resulting in no additional amounts due on this loan.

The 2018 Hyster forklift capital lease with Wells Fargo Bank is being paid at the rate of \$403 per month including interest. The interest rate calculated on the lease is 3.74%. The capital lease is secured by the 2018 Hyster forklift. The lease termination date is on April 15, 2027 with final optional buy-out payment of \$1.

The 2013 Crown forklift capital lease with Wells Fargo Bank is being paid at the rate of \$452 per month including interest. The interest rate calculated on the lease is 3.27%. The capital lease is secured by the 2013 Crown forklift. The lease termination date is on June 13, 2026 with final optional buy-out payment of \$1.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 10 – LONG-TERM DEBT (Continued)

The 2018 Unicarriers forklift capital lease with Wells Fargo Bank is being paid at the rate of \$415 per month including interest. The interest rate calculated on the lease is 6.56%. The capital lease is secured by the 2018 Unicarriers forklift. The lease termination date is on June 1, 2026 with final optional buy-out payment of \$1.

The Organization was issued a note payable under the U.S. Federal Government Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide small business loans. In May 2020, the Organization obtained a PPP loan through Bank of America for \$690,000, has elected to account for the loan as a loan, and therefore included it in the Organization's long-term debt balance at December 31, 2020. The Organization believes it used all of the proceeds from the note for qualifying expenses. Forgiveness has been awarded by the Small Business Administration (SBA) in 2021, and accordingly, \$690,000 of loan forgiveness income was recognized for the year ended December 31, 2021 as contributions and grants revenue on the consolidated statements of activities.

Debt issuance costs are being amortized over the terms of the Sunrise Banks loan using the straight-line method. Amortization of debt issuance costs is reported as interest expense in the statements of functional expenses.

Principal amounts due on long-term debt in each of the next five years are as follows: 2023 \$154,094; 2024 \$160,068; 2025 \$166,279; 2026 \$5,183,191; and 2027 \$1,599.

NOTE 11 – RELATED PARTY TRANSACTIONS

The following is a summary of related party transactions that have been eliminated in the consolidated statements of activities at December 31:

Received from/ Description	Paid from	2022	2021
Vision Loss Resources, Inc.			
Office rent	Contract Production Services, LLC	\$ 602,768	\$ -
Management fees	Deafblind Services Minnesota, LLC	283,581	12,000
Management fees	VLR Foundation	28,920	-
VLR Foundation			
Office rent	Vision Loss Resources	119,694	-
Contributions and grants	Vision Loss Resources	1,045,725	-
In-kind contributions	Vision Loss Resources	467,128	-

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 12 – NET ASSETS

Net assets with donor restrictions were as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
PASSAGE OF TIME - ENDOWMENT FUND	<u>\$ 189,615</u>	<u>\$ 189,565</u>

Net assets without donor restrictions for the years ended December 31 are as follows:

	<u>2022</u>	<u>2021</u>
UNDESIGNATED	<u>\$ 13,901,835</u>	<u>\$ 14,625,509</u>

NOTE 13 – ENDOWMENT FUND

The Organization's endowment fund consists of a savings account with a balance of \$189,615 and \$189,565 at December 31, 2022 and 2021, respectively. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Organization to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Absent explicit donor stipulations to the contrary, the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization and (7) the Organization's investment policies.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 13 – ENDOWMENT FUND (Continued)

Investment Return Objectives, Risk Parameters, and Strategies

The Organization has adopted investment and spending policies, approved by the governing board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy of appropriating for distribution each year the investment earnings in the fund.

Changes in endowment net assets as of December 31 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2022			
Endowment net assets, beginning of year	\$ -	\$ 189,565	\$ 189,565
Investment return			
Investment income	-	50	50
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 189,615	\$ 189,615
2021			
Endowment net assets, beginning of year	\$ -	\$ 189,546	\$ 189,546
Investment return			
Investment income	-	19	19
ENDOWMENT NET ASSETS, END OF YEAR	\$ -	\$ 189,565	\$ 189,565

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 13 – ENDOWMENT FUND (Continued)

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted SPMIFA to permit spending from underwater investments in accordance with prudent measures required under law.

NOTE 14 – RETIREMENT PLANS

The Organization provides a defined contribution 403(b) plan to its employees. All employees may make contributions to the plan. The Organization only matches participants' contributions to the plan for employees who are at least 21 years of age, completed one year of service, and have worked at least 1,000 hours in that year. The Organization matches amounts contributed by employees up to 100% of 5% of the employee's compensation. Total expense was \$15,782 and \$39,103 for the years ended December 31, 2022 and 2021, respectively.

Contract Production Services, LLC provides a defined contribution 401(k) plan to its employees which was started in 2022. All employees may make contributions to the plan. The Organization only matches participants' contributions to the plan for employees who are at least 21 years of age, and have completed one year of service. The Organization matches amounts contributed by employees up to 100% of 5% of the employee's compensation. Total expense was \$21,706 and \$0 for the years ended December 31, 2022 and 2021, respectively.

NOTE 15 – ECONOMIC DEPENDENCY

The Organization receives substantially all of its fees-for-service funding from the Minnesota Department of Employment & Economic Development and the Minnesota Department of Human Services. The ability to provide these services would be adversely affected if the Organization was not contracted for services from these governmental agencies.

A substantial majority of the Organization's sales from manufacturing operations are to one major customer. Sales to the customer represent 92% and 87% of total sales for the years ended December 31, 2022 and 2021, respectively. Accounts receivable from this same customer represent approximately 80% and 81% of total receivables at December 31, 2022 and 2021, respectively. The ability to generate cash flow and operate at the same level would be jeopardized in the event this customer was to decrease its orders or cease contracting with the Organization.

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 16 – LEASES

The Organization leases warehouse space and equipment at various terms under long-term non-cancelable operating lease and finance lease agreements. The lease expires at various dates through 2027. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization's operating lease provides for increases in future minimum annual rental payments. Additionally, the operating lease agreement requires the Organization to pay expenses and taxes based off the Organization's proportionate share of the leased warehouse space.

The operating lease weighted-average discount rate is based on the discount rate that the Organization would be able to obtain on similar length debt. The finance lease weighted-average discount rates are based on the discount rates implicit in the leases.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The Organization elected the practical expedient to not separate lease and non-lease components for all leases that apply.

Total right-of-use assets and lease liabilities at December 31, 2022 are as follows:

	2022
Lease assets - classification in statement of financial position	
Operating lease right-of-use assets - other assets	\$ 1,617,266
Finance right-of-use assets - property and equipment, net	<u>55,713</u>
TOTAL LEASED RIGHT-OF-USE ASSETS	<u>\$ 1,672,979</u>
	2022
Lease liabilities - classification in statement of financial position	
Operating lease liabilities - obligations under operating leases	\$ 1,659,453
Finance lease liabilities - current portion of long-term debt and long-term deb	<u>52,738</u>
TOTAL LEASE LIABILITIES	<u>\$ 1,712,191</u>

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 16 – LEASES (Continued)

Total lease costs for the year ended December 31, 2022 are as follows:

	<u>2022</u>
Operating lease cost	\$ 344,615
Finance lease cost:	
Interest expense	2,345
Amortization of right-of-use assets	11,279

The following summarizes the weighted-average remaining lease term and weighted average discount rate:

	<u>2022</u>
Weighted-average remaining lease term in years	
Operating leases	5.00
Finance leases	3.72
Weighted-average discount rate	
Operating leases	3.80%
Finance leases	4.52%

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2022:

	<u>Operating</u>	<u>Finance</u>
December 31, 2023	\$ 351,428	\$ 15,233
December 31, 2024	358,241	15,233
December 31, 2025	365,055	15,233
December 31, 2026	372,586	10,032
December 31, 2027	380,116	1,611
	<u>1,827,426</u>	<u>57,342</u>
Total lease payments	1,827,426	57,342
Less interest	<u>(167,973)</u>	<u>(4,604)</u>
PRESENT VALUE OF LEASE LIABILITIES	<u>\$ 1,659,453</u>	<u>\$ 52,738</u>

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 17 – INCOME TAXES

The federal and state income tax provision is summarized as follows:

	<u>2022</u>	<u>2021</u>
Current provision		
Federal	\$ 109,695	\$ 225,600
State	<u>61,505</u>	<u>104,400</u>
TOTAL	<u>\$ 171,200</u>	<u>\$ 330,000</u>

The Organization's effective income tax rate is lower than what would be expected if the federal statutory rate were applied to income before income taxes primarily because of certain expenses. The Organization's manufacturing and packaging operations are subject to business income tax.

NOTE 18 – CONTINGENCIES

Stored Goods

The Organization provides warehouse space to its most significant customer to store finished goods that are owned by that customer. The amount of goods stored is significant; however, the value of those goods cannot be reasonably estimated based on information available to the Organization. The Organization is required to have adequate insurance on stored goods.

Twin Cities Nonprofit Partners Pension Plan

In conjunction with the Organization's withdrawal from the Twin Cities Nonprofit Partners Pension Plan, the Organization signed an agreement to guarantee up to \$97,692 for loans taken out by other withdrawal participants in the plan. The loans were used to pay the other withdrawal participants share of the unfunded pension liability. The loans mature on October 1, 2024, at which time the guaranty expires.

SUPPLEMENTARY INFORMATION

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS

	Vision Loss Resources, Inc.	DeafBlind Services Minnesota, LLC	VLR Foundation	Contract Production Services, LLC	Eliminations	Total
CURRENT ASSETS						
Cash and cash equivalents	\$ 1,087,656	\$ 135,521	\$ 13,991	\$ 202,617	\$ -	\$ 1,439,785
Investments	8,293,439	-	-	-	(6,574,844)	1,718,595
Receivables, net	1,142,396	43,952	-	1,932,691	(822,197)	2,296,842
Inventories	-	-	-	4,171,595	-	4,171,595
Prepaid expense and other current assets	87,012	39,542	-	22,981	-	149,535
Income taxes refundable	-	-	-	315,800	(94,250)	221,550
Total Current Assets	10,610,503	219,015	13,991	6,645,684	(7,491,291)	9,997,902
OTHER ASSETS						
Restricted cash	189,615	-	-	-	-	189,615
Real estate held for sale	1,845,694	-	-	-	-	1,845,694
Operating lease right-of-use asset	-	-	-	1,617,266	-	1,617,266
Long-term portion of notes receivable	6,552,900	-	-	-	(6,552,900)	-
Total Other Assets	8,588,209	-	-	1,617,266	(6,552,900)	3,652,575
PROPERTY AND EQUIPMENT						
Property and equipment	1,610,126	-	9,845,007	1,961,791	-	13,416,924
Accumulated depreciation	(1,058,628)	-	(61,915)	(1,147,930)	-	(2,268,473)
Property and Equipment, Net	551,498	-	9,783,092	813,861	-	11,148,451
TOTAL ASSETS	\$ 19,750,210	\$ 219,015	\$ 9,797,083	\$ 9,076,811	\$ (14,044,191)	\$ 24,798,928

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES						
Accounts payable	\$ 93,976	\$ 9,139	\$ -	\$ 1,936,630	(822,197)	\$ 1,217,548
Accrued expenses	78,220	22,510	-	177,715	-	278,445
Obligations under operating leases	-	-	-	293,445	-	293,445
Current portion of long-term debt	132,361	-	(41,198)	13,173	-	104,336
Income taxes payable	94,250	-	-	-	(94,250)	-
Total Current Liabilities	398,807	31,649	(41,198)	2,420,963	(916,447)	1,893,774
LONG-TERM LIABILITIES						
Obligations under operating leases	-	-	-	1,366,008	-	1,366,008
Long-term debt	5,447,319	-	8,513,712	39,565	(6,552,900)	7,447,696
Total Long-term Liabilities	5,447,319	-	8,513,712	1,405,573	(6,552,900)	8,813,704
Total Liabilities	5,846,126	31,649	8,472,514	3,826,536	(7,469,347)	10,707,478
NET ASSETS						
Without donor restrictions	13,714,469	187,366	1,324,569	5,250,275	(6,574,844)	13,901,835
With donor restrictions	189,615	-	-	-	-	189,615
Total Net Assets	13,904,084	187,366	1,324,569	5,250,275	(6,574,844)	14,091,450
TOTAL LIABILITIES AND NET ASSETS	\$ 19,750,210	\$ 219,015	\$ 9,797,083	\$ 9,076,811	\$ (14,044,191)	\$ 24,798,928

VISION LOSS RESOURCES INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

	Vision Loss Resources, Inc.	DeafBlind Services Minnesota, LLC	VLR Foundation	Contract Production Services, LLC	Eliminations	Total
CURRENT ASSETS						
Cash and cash equivalents	\$2,758,121	\$ 341,172	\$ -	\$ -	\$ -	\$ 3,099,293
Investments	3,039,344	-	-	-	-	3,039,344
Receivables, net	2,094,688	59,587	-	-	(6,897)	2,147,378
Inventories	3,903,741	-	-	-	-	3,903,741
Prepaid expense and other current assets	251,646	39,542	-	-	-	291,188
Total Current Assets	12,047,540	440,301	-	-	(6,897)	12,480,944
OTHER ASSETS						
Restricted cash	189,565	-	-	-	-	189,565
PROPERTY AND EQUIPMENT						
Property and equipment	14,113,574	-	-	-	-	14,113,574
Accumulated depreciation	(4,331,932)	-	-	-	-	(4,331,932)
Property and Equipment, Net	9,781,642	-	-	-	-	9,781,642
TOTAL ASSETS	\$ 22,018,747	\$ 440,301	\$ -	\$ -	\$ (6,897)	\$ 22,452,151

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES						
Accounts payable	\$ 1,290,017	\$ 8,915	\$ -	\$ -	\$ (6,897)	\$ 1,292,035
Accrued expenses	464,431	38,713	-	-	-	503,144
Current portion of long-term debt	11,525	-	-	-	-	11,525
Income taxes payable	217,250	-	-	-	-	217,250
Total Current Liabilities	1,983,223	47,628	-	-	(6,897)	2,023,954
LONG-TERM DEBT	5,613,123	-	-	-	-	5,613,123
Total Liabilities	7,596,346	47,628	-	-	(6,897)	7,637,077
NET ASSETS						
Without donor restrictions	14,232,836	392,673	-	-	-	14,625,509
With donor restrictions	189,565	-	-	-	-	189,565
Total Net Assets	14,422,401	392,673	-	-	-	14,815,074
TOTAL LIABILITIES AND NET ASSETS	\$ 22,018,747	\$ 440,301	\$ -	\$ -	\$ (6,897)	\$ 22,452,151

VISION LOSS RESOURCES, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2022

	Vision Loss Resources, Inc.	DeafBlind Services Minnesota, LLC	VLR Foundation	Contract Production Services, LLC	Eliminations	Total
OPERATING ACTIVITIES						
Revenues, Gains, and Other Support						
Contributions and grants	\$ 281,195	\$ -	\$ 1,045,725	\$ -	\$ (1,045,725)	\$ 281,195
In-kind contributions	13,725	-	467,128	-	(467,128)	13,725
Program service revenue	454,893	672,382	-	-	-	1,127,275
Rental income	602,768	-	119,694	-	(722,462)	-
Investment return, net	(110,488)	-	-	-	-	(110,488)
Loss on sale of assets	(32)	-	-	-	-	(32)
Miscellaneous revenue	223,489	-	-	-	(312,501)	(89,012)
Total Support and Revenue	1,465,550	672,382	1,632,547	-	(2,547,816)	1,222,663
Expenses						
Program Services						
Rehab center	700,054	-	-	-	(3,591)	696,463
Community services	152,347	591,765	-	-	-	744,112
Support Services						
Management and general	2,779,757	285,924	307,978	-	(1,911,340)	1,462,319
Fundraising	116,369	-	-	-	(1,197)	115,172
Total Expenses	3,748,527	877,689	307,978	-	(1,916,128)	3,018,066
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(2,282,977)	(205,307)	1,324,569	-	(631,688)	(1,795,403)
MANUFACTURING ACTIVITIES						
Manufacturing sales	-	-	-	20,356,258	-	20,356,258
Cost of goods sold	-	-	-	(16,743,532)	-	(16,743,532)
Net manufacturing sales	-	-	-	3,612,726	-	3,612,726
Operating expenses	-	-	-	(2,993,626)	631,688	(2,361,938)
Loss on sale of assets	-	-	-	(7,809)	-	(7,809)
Income taxes	-	-	-	(74,200)	-	(74,200)
Total Manufacturing Activities	-	-	-	537,091	631,688	1,168,779
Unrelated business income taxes	(97,000)	-	-	-	-	(97,000)
INCOME OF CONSOLIDATED SUBSIDIARIES	1,861,660	-	-	-	(1,861,660)	-
CHANGE IN NET ASSETS	(518,317)	(205,307)	1,324,569	537,091	(1,861,660)	(723,624)
NET ASSETS, BEGINNING OF YEAR	14,422,401	392,673	-	-	-	14,815,074
INVESTMENT IN CONTRACT PRODUCTION SERVICES, LLC	-	-	-	4,713,184	(4,713,184)	-
NET ASSETS, END OF YEAR	<u>\$ 13,904,084</u>	<u>\$ 187,366</u>	<u>\$ 1,324,569</u>	<u>\$ 5,250,275</u>	<u>\$ (6,574,844)</u>	<u>\$ 14,091,450</u>

VISION LOSS RESOURCES INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Vison Loss Resources, Inc.	DeafBlind Services Minnesota, LLC	VLR Foundation	Contract Production Services, LLC	Eliminations	Total
OPERATING ACTIVITIES						
Revenues, Gains, and Other Support						
Contributions and grants	\$ 1,410,821	\$ 2,998	\$ -	\$ -	\$ -	\$ 1,413,819
Program service revenue	420,807	742,699	-	-	-	1,163,506
Investment return, net	381,633	-	-	-	-	381,633
Miscellaneous revenue	44,401	-	-	-	(12,000)	32,401
Total Support and Revenue	<u>2,257,662</u>	<u>745,697</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>	<u>2,991,359</u>
Expenses						
Program Services						
Rehab center	531,093	-	-	-	-	531,093
Community services	331,609	678,447	-	-	-	1,010,056
Support Services						
Management and general	637,692	13,020	-	-	(12,000)	638,712
Fundraising	80,509	-	-	-	-	80,509
Total Expenses	<u>1,580,903</u>	<u>691,467</u>	<u>-</u>	<u>-</u>	<u>(12,000)</u>	<u>2,260,370</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	676,759	54,230	-	-	-	730,989
MANUFACTURING ACTIVITIES						
Manufacturing sales	21,909,279	-	-	-	-	21,909,279
Cost of goods sold	<u>(18,285,628)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,285,628)</u>
Net manufacturing sales	3,623,651	-	-	-	-	3,623,651
Operating expenses	(2,391,882)	-	-	-	-	(2,391,882)
Income taxes	<u>(330,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(330,000)</u>
Total Manufacturing Activities	901,769	-	-	-	-	901,769
CHANGE IN NET ASSETS	1,578,528	54,230	-	-	-	1,632,758
NET ASSETS, BEGINNING OF YEAR	<u>12,843,873</u>	<u>338,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,182,316</u>
NET ASSETS, END OF YEAR	<u><u>\$ 14,422,401</u></u>	<u><u>\$ 392,673</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,815,074</u></u>

VISION LOSS RESOURCES, INC.
UNCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2022 and 2021

2022						
	Program Services			Supporting Services		Total
	Manufacturing	Rehab Center	Community Services	Management and General	Fundraising	
Grants and contributions	\$ -	\$ -	\$ -	\$ 1,512,853	\$ -	\$ 1,512,853
Salaries and benefits	-	473,182	122,270	354,173	95,987	1,045,612
Fees for services	-	10,502	206	320,777	1,996	333,481
Advertising and promotion	-	-	260	-	501	761
Office expenses	-	19,934	7,767	22,631	2,619	52,951
Information technology	-	26,100	7,728	7,728	2,576	44,132
Occupancy	-	69,091	128	248,365	2,140	319,724
Travel and transportation	-	17,353	6,413	1,593	1,270	26,629
Conferences, conventions, and meetings	-	20,051	775	879	125	21,830
Interest expense	-	20,064	-	202,874	-	222,938
Depreciation	-	19,536	-	79,515	468	99,519
Insurance	-	4,600	419	15,637	157	20,813
Other	-	19,641	6,381	12,732	8,530	47,284
TOTAL	\$ -	\$ 700,054	\$ 152,347	\$ 2,779,757	\$ 116,369	\$ 3,748,527

2021						
	Program Services			Supporting Services		Total
	Manufacturing	Rehab Center	Community Services	Management and General	Fundraising	
Cost of Sales						
Direct labor	\$ 1,518,318	\$ -	\$ -	\$ -	\$ -	\$ 1,518,318
Contract labor	5,531,526	-	-	-	-	5,531,526
Materials and freight	10,696,506	-	-	-	-	10,696,506
Benefits and other	539,278	-	-	-	-	539,278
Total Cost of Sales	18,285,628	-	-	-	-	18,285,628
Salaries and benefits	1,177,328	430,413	264,019	137,979	49,549	2,059,288
Fees for services	32,120	3,880	3,952	422,647	22,850	485,449
Advertising and promotion	3,546	127	127	2,290	69	6,159
Office expenses	275,213	5,701	4,971	25,285	680	311,850
Occupancy	602,851	58,534	25,856	27,645	-	714,886
Travel and transportation	1,919	2,340	4,120	286	-	8,665
Conferences, conventions, and meetings	1,632	14,487	523	-	-	16,642
Interest expense	40,484	-	-	-	-	40,484
Depreciation	247,197	14,039	14,039	5,513	-	280,788
Other	9,592	1,572	14,002	16,047	7,361	48,574
	20,677,510	531,093	331,609	637,692	80,509	22,258,413
Less expenses included with revenues on the statement of activities						
Manufacturing cost of sales	(18,285,628)	-	-	-	-	(18,285,628)
TOTAL	\$ 2,391,882	\$ 531,093	\$ 331,609	\$ 637,692	\$ 80,509	\$ 3,972,785

DEAFBLIND SERVICES MINNESOTA, LLC
UNCONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended December 31, 2022 and 2021

	2022		
	Program	Supporting	Total
	Services	Services	
	Community	Management	
	Services	and General	
Salaries and benefits	\$ 492,676	\$ -	\$ 492,676
Office expenses	8,703	2,506	11,209
Information technology	1,706	-	1,706
Travel and transportation	66,786	-	66,786
Conferences, conventions, and meetings	3,229	-	3,229
Client and program expense	4,955	-	4,955
Insurance	1,976	-	1,976
Other	11,734	-	11,734
Administrative charges	-	283,418	283,418
TOTAL	\$ 591,765	\$ 285,924	\$ 877,689

	2021		
	Program	Supporting	Total
	Services	Services	
	Community	Management	
	Services	and General	
Salaries and benefits	\$ 572,378	\$ -	\$ 572,378
Advertising and promotion	70	-	70
Office expenses	19,170	-	19,170
Occupancy	4,725	1,020	5,745
Travel and transportation	64,479	-	64,479
Conferences, conventions, and meetings	2,075	-	2,075
Client and program expense	6,271	-	6,271
Other	9,279	-	9,279
Administrative charges	-	12,000	12,000
TOTAL	\$ 678,447	\$ 13,020	\$ 691,467

VLR FOUNDATION
UNCONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	2022 Supporting Services Management and General
Office expenses	\$ 217
Occupancy	151,209
Interest expense	94,637
Depreciation	61,915
TOTAL	\$ 307,978

CONTRACT PRODUCTION SERVICES, LLC
UNCONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	2022
	<u>Manufacturing</u>
Cost of Sales	
Direct labor	\$ 1,396,476
Contract labor	4,228,890
Materials and freight	10,450,307
Benefits and other	667,859
Total Cost of Sales	<u>16,743,532</u>
Operating expenses	
Salaries and benefits	1,186,258
Fees for services	29,352
Advertising and promotion	4,615
Office expenses	310,492
Information technology	54,705
Occupancy	1,121,240
Travel and transportation	14,297
Conferences, conventions, and meetings	469
Interest expense	2,345
Depreciation	189,724
Insurance	28,009
Other	52,120
Total Operating Expenses	<u>2,993,626</u>
TOTAL EXPENSES	<u><u>\$ 19,737,158</u></u>