

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

**Consolidated Financial Statements
and Supplementary Information
with Independent Auditor's Report**

June 30, 2020 and 2019

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

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GUILMARTIN ▪ DIPIRO ▪ SOKOLOWSKI LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
The Connecticut Institute for the Blind
and Subsidiaries d/b/a Oak Hill:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The Connecticut Institute for the Blind and Subsidiaries d/b/a Oak Hill (Oak Hill) (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 audits 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 judgement, 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 Oak Hill as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 31 and 32 is presented for purposes 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, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Guilmetti, DiPiro + Sokolowski LLC

Middletown, Connecticut
November 25, 2020

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

Consolidated Statements of Financial Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 11,319,123	\$ 6,560,629
Accounts receivable, net	8,102,933	8,198,670
Prepaid expenses and other assets	1,424,393	1,439,503
Investments	115,009,742	115,231,679
Beneficial interest in perpetual trusts	47,664,524	48,214,272
Cash restricted to investment in property and equipment	1,016,791	1,015,891
Property and equipment, net	<u>39,974,844</u>	<u>41,648,975</u>
Total Assets	<u>\$ 224,512,350</u>	<u>\$ 222,309,619</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,610,976	\$ 3,005,480
Accrued wages and fringe benefits	9,562,070	7,843,279
Refundable advances	3,186,249	2,472,964
Line of credit	-	585,000
Paycheck Protection Program loan	1,312,802	-
Obligations under capital leases	2,003,028	2,361,265
Interest rate swap obligation	19,425	36,672
Long-term debt, net	10,052,534	11,001,116
Funds held on behalf of others	246,969	283,862
DDS cash advance	794,479	794,479
HUD capital advances	<u>1,783,600</u>	<u>3,006,300</u>
Total liabilities	<u>32,572,132</u>	<u>31,390,417</u>
Net Assets		
Without donor restrictions	91,283,577	89,642,819
With donor restrictions	<u>100,656,641</u>	<u>101,276,383</u>
Total net assets	<u>191,940,218</u>	<u>190,919,202</u>
Total Liabilities and Net Assets	<u>\$ 224,512,350</u>	<u>\$ 222,309,619</u>

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

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

Consolidated Statements of Activities

For the years ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Other Additions						
Group home services	\$ 59,557,505	\$ -	\$ 59,557,505	\$ 57,701,152	\$ -	\$ 57,701,152
Adult day programs	3,571,606	-	3,571,606	4,293,970	-	4,293,970
Oak Hill School	13,778,009	-	13,778,009	15,096,245	-	15,096,245
Behavioral health services	13,944,465	-	13,944,465	11,883,870	-	11,883,870
Easter Seals Camp	387,824	-	387,824	457,031	-	457,031
Oak Hill Centers	1,140,475	-	1,140,475	1,225,561	-	1,225,561
Interest income	6,774	25,699	32,473	44,345	5,535	49,880
Other	653,789	-	653,789	27,056	-	27,056
Net assets released from restrictions	2,762,227	(2,762,227)	-	2,261,676	(2,261,676)	-
Total operating revenues	95,802,674	(2,736,528)	93,066,146	92,990,906	(2,256,141)	90,734,765
Operating Expenses						
Program expenses:						
Group home services	57,551,476	-	57,551,476	56,252,282	-	56,252,282
Adult day programs	3,723,968	-	3,723,968	3,788,051	-	3,788,051
Oak Hill School	11,651,524	-	11,651,524	12,487,197	-	12,487,197
Behavioral health services	12,459,201	-	12,459,201	10,675,542	-	10,675,542
Easter Seals Camp	1,041,485	-	1,041,485	1,226,326	-	1,226,326
Oak Hill Centers	2,405,092	-	2,405,092	2,575,788	-	2,575,788
Other	1,249,142	-	1,249,142	946,879	-	946,879
Total program expenses	90,081,888	-	90,081,888	87,952,065	-	87,952,065
Support services:						
Management and general	10,490,199	-	10,490,199	10,802,786	-	10,802,786
Fundraising	444,233	-	444,233	523,414	-	523,414
Total support services	10,934,432	-	10,934,432	11,326,200	-	11,326,200
Total operating expenses	101,016,320	-	101,016,320	99,278,265	-	99,278,265
Change in Net Assets from Operations	<u>(5,213,646)</u>	<u>(2,736,528)</u>	<u>(7,950,174)</u>	<u>(6,287,359)</u>	<u>(2,256,141)</u>	<u>(8,543,500)</u>
Non-operating revenues and expenses						
Investment income, net	1,461,716	1,471,244	2,932,960	1,591,906	1,266,037	2,857,943
Net realized and unrealized gains on investments	771,847	477,771	1,249,618	2,372,827	1,821,114	4,193,941
Income from perpetual trusts	2,231,311	-	2,231,311	2,173,956	-	2,173,956
Gifts, grants, bequests and fundraising	1,234,781	717,520	1,952,301	837,091	574,512	1,411,603
State grants for capital projects	199,447	-	199,447	992,475	-	992,475
Unrealized gain on interest rate swap	17,247	-	17,247	9,476	-	9,476
(Decrease) increase in value of beneficial interest in perpetual trusts	-	(549,749)	(549,749)	-	134,413	134,413
Distribution of West Hartford HUD project net assets	1,058,382	-	1,058,382	-	-	-
Loss on transfer of West Hartford HUD project	(713,348)	-	(713,348)	-	-	-
Contribution of Farrell Treatment Center net assets	593,021	-	593,021	-	-	-
Change in Net Assets from Non-operating Activities	<u>6,854,404</u>	<u>2,116,786</u>	<u>8,971,190</u>	<u>7,977,731</u>	<u>3,796,076</u>	<u>11,773,807</u>
Change in Net Assets	1,640,758	(619,742)	1,021,016	1,690,372	1,539,935	3,230,307
Net Assets - Beginning of Year	<u>89,642,819</u>	<u>101,276,383</u>	<u>190,919,202</u>	<u>87,952,447</u>	<u>99,736,448</u>	<u>187,688,895</u>
Net Assets - End of Year	<u>\$ 91,283,577</u>	<u>\$ 100,656,641</u>	<u>\$ 191,940,218</u>	<u>\$ 89,642,819</u>	<u>\$ 101,276,383</u>	<u>\$ 190,919,202</u>

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

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

Consolidated Statement of Functional Expenses

For the year ended June 30, 2020

	Program Expenses							Total Program Expenses
	Group Home Services	Adult Day Programs	Oak Hill School	Behavioral Health Services	Easter Seals Camp	Oak Hill Centers	Other	
Salaries	\$ 34,515,779	\$ 1,718,821	\$ 6,800,285	\$ 7,293,519	\$ 200,177	\$ 1,242,118	\$ 172,541	\$ 51,943,240
Benefits	13,153,731	663,374	2,591,543	2,313,677	36,239	473,363	65,754	19,297,681
Purchased services	4,598,541	78,288	1,636,378	1,640,908	222,373	323,225	130,560	8,630,273
Materials and supplies	1,655,899	27,127	325,690	415,720	39,866	155,079	14,460	2,633,841
Miscellaneous expenditures	1,526,754	1,204,731	52,343	371,629	153,819	42,371	354,099	3,705,746
Depreciation and amortization	<u>2,100,772</u>	<u>31,627</u>	<u>245,285</u>	<u>423,748</u>	<u>389,011</u>	<u>168,936</u>	<u>511,728</u>	<u>3,871,107</u>
Total expenses	<u>\$ 57,551,476</u>	<u>\$ 3,723,968</u>	<u>\$ 11,651,524</u>	<u>\$ 12,459,201</u>	<u>\$ 1,041,485</u>	<u>\$ 2,405,092</u>	<u>\$ 1,249,142</u>	<u>\$ 90,081,888</u>
	Support Services							
	Management and General	Fundraising	Total Support Services	Total Expenses				
Salaries	\$ 4,571,116	\$ 293,600	\$ 4,864,716	\$ 56,807,956				
Benefits	1,701,606	106,247	1,807,853	21,105,534				
Purchased services	2,826,314	24,147	2,850,461	11,480,734				
Materials and supplies	551,554	18,890	570,444	3,204,285				
Miscellaneous expenditures	292,619	1,349	293,968	3,999,714				
Depreciation and amortization	<u>546,990</u>	<u>-</u>	<u>546,990</u>	<u>4,418,097</u>				
Total expenses	<u>\$ 10,490,199</u>	<u>\$ 444,233</u>	<u>\$ 10,934,432</u>	<u>\$ 101,016,320</u>				

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

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

Consolidated Statement of Functional Expenses

For the year ended June 30, 2019

	Program Expenses							Total Program Expenses
	Group Home Services	Adult Day Programs	Oak Hill School	Behavioral Health Services	Easter Seals Camp	Oak Hill Centers	Other	
Salaries	\$ 33,496,479	\$ 2,254,126	\$ 7,768,927	\$ 6,059,702	\$ 244,374	\$ 1,207,079	\$ 89,760	\$ 51,120,447
Benefits	12,405,756	881,541	2,877,300	1,975,945	56,206	447,054	33,244	18,677,046
Purchased services	4,915,576	497,124	1,172,895	1,758,770	333,711	334,509	333,852	9,346,437
Materials and supplies	1,418,057	26,049	300,888	388,883	57,935	184,667	29,218	2,405,697
Miscellaneous expenditures	1,846,480	16,163	146,389	156,221	150,190	22,671	134,993	2,473,107
Depreciation and amortization	<u>2,169,934</u>	<u>113,048</u>	<u>220,798</u>	<u>336,021</u>	<u>383,910</u>	<u>379,808</u>	<u>325,812</u>	<u>3,929,331</u>
Total expenses	<u>\$ 56,252,282</u>	<u>\$ 3,788,051</u>	<u>\$ 12,487,197</u>	<u>\$ 10,675,542</u>	<u>\$ 1,226,326</u>	<u>\$ 2,575,788</u>	<u>\$ 946,879</u>	<u>\$ 87,952,065</u>
	Support Services							
	Management and General	Fundraising	Total Support Services	Total Expenses				
Salaries	\$ 4,560,493	\$ 263,023	\$ 4,823,516	\$ 55,943,963				
Benefits	1,647,595	93,449	1,741,044	20,418,090				
Purchased services	3,293,453	23,838	3,317,291	12,663,728				
Materials and supplies	459,448	31,321	490,769	2,896,466				
Miscellaneous expenditures	262,084	111,520	373,604	2,846,711				
Depreciation and amortization	<u>579,713</u>	<u>263</u>	<u>579,976</u>	<u>4,509,307</u>				
Total expenses	<u>\$ 10,802,786</u>	<u>\$ 523,414</u>	<u>\$ 11,326,200</u>	<u>\$ 99,278,265</u>				

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

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

Consolidated Statements of Cash Flows

For the years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 1,021,016	\$ 3,230,307
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
State grants for capital projects	(199,447)	(992,475)
Depreciation and amortization expense	4,418,097	4,509,307
Net realized and unrealized (gains) on investments	(1,249,618)	(4,193,941)
Decrease (increase) in value of beneficial interest in perpetual trusts	549,749	(134,413)
Net (gain) on disposal of property and equipment	(20,985)	(20,927)
Unrealized (gain) on interest rate swap	(17,247)	(9,476)
Distribution of West Hartford HUD project net assets	(1,058,382)	-
Loss on transfer of West Hartford HUD project	713,348	-
Contribution of Farrell Treatment Center net assets, net of cash received	(542,164)	-
(Increase) decrease in operating assets:		
Accounts receivable	95,737	(1,593,191)
Prepaid expenses and other assets	15,110	(219,319)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	605,496	819,387
DDS cash advance	-	(52,230)
Accrued wages and fringe benefits	1,718,791	(51,507)
Refundable advances	713,285	342,958
Funds held on behalf of others	(36,893)	(17,546)
Net cash provided by operating activities	<u>6,725,893</u>	<u>1,616,934</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,930,802)	(2,406,070)
Proceeds from the sale of property and equipment	161,085	-
Proceeds from the sale of investments	44,463,105	43,751,319
Purchases of investments	(42,343,689)	(41,896,011)
Net cash (used in) investing activities	<u>(650,301)</u>	<u>(550,762)</u>
Cash Flows from Financing Activities		
State grants for capital projects	199,447	992,475
Proceeds of line of credit	100,000	1,810,722
Repayments on line of credit	(685,000)	(2,825,722)
Principal payments of obligations under capital leases	(1,294,865)	(1,101,126)
Proceeds from Paycheck Protection Program loan	1,312,802	-
Principal payments on long-term debt	(948,582)	(900,904)
Net cash (used in) financing activities	<u>(1,316,198)</u>	<u>(2,024,555)</u>
Net increase (decrease) in Cash, Cash Equivalents and Restricted Cash	4,759,394	(958,383)
Cash, Cash Equivalents and Restricted Cash - Beginning of Year	<u>7,576,520</u>	<u>8,534,903</u>
Cash, Cash Equivalents and Restricted Cash - End of Year	<u>\$ 12,335,914</u>	<u>\$ 7,576,520</u>

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

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

Consolidated Notes to Financial Statements

June 30, 2020 and 2019

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of organization

The Connecticut Institute for the Blind and Subsidiaries (Oak Hill) was originally founded in 1893 and provides community-based residential, day and education programs for people with visual impairments, multiple disabilities and behavioral health. Oak Hill's primary source of revenue is government fees and contracts.

The accompanying consolidated financial statements include the accounts of Oak Hill, all of which are controlled by a common Board of Directors. All intercompany transactions and balances have been eliminated in the consolidated financial statements.

The Connecticut Institute for the Blind's subsidiaries consist of the following:

Oak Hill Industries, Inc.	Hartland Group Homes, Inc.
Oak Hill Foundation, Inc.	Harwinton Group Home, Inc.
Easter Seals Connecticut, Inc.	Lebanon Canterbury Group Homes, Inc.
Gilead Community Services, Inc.*	Newington Group Homes, Inc.
Rainbow Housing Corporation*	Oak Hill Community Residences, Inc.
Bolton Group Home, Inc.	Barkhamsted Granby Group Homes, Inc.
Burlington Group Homes, Inc.	Plymouth Group Home, Inc.
Coventry Group Home, Inc.	Thomaston Group Home, Inc.
Glastonbury Group Homes, Inc.	Vernon Group Homes, Inc.
Granby Group Homes, Inc.	Watertown Group Home, Inc.

*Due to separate reporting requirements, the financial information for Gilead and Rainbow has been presented as supplemental information.

During the year ended June 30, 2020, Gilead Community Services, Inc. merged Farrell Treatment Center into operations as a program. The total contributed net assets were \$593,021. Given the type of assets transferred, there was no step up in basis recorded. Farrell Treatment Center provides Intensive Residential Services, Intensive Outpatient Services and Traditional Outpatient Services that are designed to provide a range of addiction treatments to individuals who are recovering from an addiction to drugs and alcohol. Farrell's services include group and individual counseling, family education, anger management, relapse prevention, early intervention strategies, psychiatric evaluation, medication management, young adult treatment and Suboxone treatment for opiate addiction.

During the year ended June 30, 2020, Oak Hill Independent Housing of West Hartford, Inc. (West Hartford HUD Project "the Project") was transferred to another organization. Oak Hill recorded a gain of \$1,058,382 for the distribution of the Project's net assets, and a loss of \$713,348 for the transfer of the Project. These amounts are included in non-operating revenues and expenses in the accompanying consolidated statement of activities for the year ended June 30, 2020.

Summary of significant accounting policies:

Basis of accounting and presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Oak Hill reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. They are described as follows:

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

Consolidated Notes to Financial Statements

June 30, 2020 and 2019

Basis of accounting and presentation, continued

Net assets without donor restrictions - Net assets without donor restrictions represent available resources not subject to donor-imposed stipulations. These resources may be expended at the discretion of the Board of Directors. *Board designated net assets* are net assets established by the Board of Directors, which represent funds without donor restrictions, designated for general investment and endowment, and property and equipment.

Net assets with donor restrictions - Net assets with donor restrictions represent net assets that are restricted by the donor as to purpose or time of expenditures and also include accumulated investment income and gains on donor-restricted endowment assets that have not been appropriated for expenditures. Some net assets with donor restrictions represent resources that have donor-imposed restrictions that require the principal be maintained in perpetuity but permit Oak Hill to expend the income earned thereon.

Recent accounting pronouncements adopted

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, to address the classification and presentation of changes in restricted cash on the statements of cash flows. The ASU requires that a statement of cash flows explain the change in the total cash, cash equivalents, and amounts generally described as restricted cash and restricted cash equivalents. Thus, amounts generally described as restricted cash or restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. The ASU was adopted retrospectively during the year ended June 30, 2020. Consequently, ending cash, cash equivalents and restricted cash as of June 30, 2019 and 2018 was increased from \$6,560,629 to \$7,576,520 and \$7,428,511 to \$8,534,903.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This update establishes a comprehensive revenue recognition standard. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Oak Hill implemented this ASU using a modified retrospective method of application as of July 1, 2019.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU was issued to standardize how grants and other contracts received and made are classified across the sector, as either an exchange transaction or a contribution. If the transaction is deemed to be a contribution, the guidance provides factors to consider with regard to whether the contribution is conditional or unconditional. For contributions received, if determined to be an unconditional contribution, the determination will then need to be made as to whether the contribution is restricted. The ASU will assist in the determination of the nature of the transaction, which will then govern the revenue and expense recognition methodology and timing of the transaction. This ASU was adopted on July 1, 2019.

The adoption of these standards did not have a material impact on the financial position or results of operations for any periods presented and a cumulative adjustment was not recorded to Oak Hill's beginning net asset balance.

Use of estimates

The preparation of Oak Hill's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**THE CONNECTICUT INSTITUTE FOR THE BLIND
AND SUBSIDIARIES D/B/A OAK HILL**

Consolidated Notes to Financial Statements

June 30, 2020 and 2019

Operating measure

Oak Hill has defined an operating measure in the consolidated statements of activities whereby all support, revenue and expenses are considered operating except for contributions, fundraising activities, investment income, gains and losses from Oak Hill investments and perpetual trusts and state grants for capital projects.

Income taxes

Oak Hill has received exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Oak Hill has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and qualifies for deductible contributions as provided in Section 170(b)(1)(a)(vi).

Management has reviewed Oak Hill's reporting and believe they have not taken tax positions that are more likely than not to be determined to be incorrect by the Internal Revenue Service and therefore, no adjustments or disclosures are required. Oak Hill is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods pending or in progress.

Cash, cash equivalents and restricted cash

For the purpose of the consolidated statements of cash flows, Oak Hill considers all highly liquid investments available for current use, with an initial maturity of three months or less when purchased, to be cash equivalents, exclusive of cash restricted to investment in property and equipment. Restricted cash is combined with cash and cash equivalents for the purposes of the consolidated statements of cash flows.

Residents' assets held

Oak Hill has a fiduciary responsibility over funds held in a bank that belong to its residents. These accounts totaled \$1,086,976 and \$487,275 at June 30, 2020 and 2019, respectively, and are not included in the accompanying consolidated statements of financial position as they are owned by the residents. Gilead's residents' assets are included in the consolidated statements of financial position as the funds are held on behalf of others in a bank account in which Gilead has legal title. The account totaled \$174,584 and \$283,862 at June 30, 2020 and 2019, respectively.

Accounts receivable

Oak Hill has accounts receivable primarily related to grants and third party tuition reimbursements. Based on historical experience, grants are considered fully collectible. Accounts receivable are stated net of allowance for doubtful accounts. Oak Hill estimates the allowance based on its historical experience of the relationship between actual bad debts and net revenue, combined with an analysis of specific payers, taking into consideration the age of past due accounts and an assessment of the payers' ability to pay. Uncollectible account balances are written off when management determines the probability of collection is remote. The allowance for doubtful accounts at June 30, 2020 and 2019 was \$169,454 and \$282,428, respectively.

Investment valuation and income recognition

Investments are reported at fair value, except for certificates of deposit, which are recorded at face value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 5 for a discussion of fair value measurements.

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Investment valuation and income recognition, continued

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income is reported net of related expenses, which totaled \$418,429 and \$407,890 for the years ended June 30, 2020 and 2019, respectively. Net realized and unrealized gains (losses) on investments include Oak Hill's gains and losses on investments bought and sold as well as held during the year. Realized and unrealized gains and losses and investment income on donor-restricted endowment assets are reported in the consolidated statements of activities as increases or decreases in net assets with donor restrictions until appropriated for expenditure.

Oak Hill Foundation, Inc. (the Foundation) determines Oak Hill's valuation policies and procedures utilizing information provided by investment advisors and asset custodians.

Beneficial interest in perpetual trusts

Oak Hill retains a beneficial interest in various trusts established by donors and held by third parties. Under these arrangements, Oak Hill receives investment income from the trusts in perpetuity but does not have access to the principal. The beneficial interests are carried at the present value of estimated future receipts from the trusts, which is measured by the fair market value of the assets in the trust. Changes in the carrying amount of the beneficial interest are recognized as increases or decreases in net assets with donor restrictions.

Property and equipment

Property and equipment additions or improvements individually exceeding \$2,500 for Oak Hill and \$5,000 for Gilead and Rainbow are capitalized at cost or appraised value at the date of gift for those items acquired by gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets with a range in lives from 3 to 40 years. Repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in change in net assets for the period.

Realization of long-lived assets

Management evaluates the long-lived assets for impairment using an undiscounted cash flow method whenever events or circumstances indicate the carrying value of an asset may not be recoverable. There were no impairment losses related to long-lived assets as of June 30, 2020 and 2019.

Refundable advances

Oak Hill presents refundable advances when grant advances and other revenue exceed the eligible costs incurred. Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of funds to grantors.

Debt issuance costs

In connection with the issuance of the mortgages and notes payable, Oak Hill incurred debt issuance costs. These costs, net of accumulated amortization, are reported as a direct reduction of the amount of long-term debt. These costs are reflected as a component of interest expense and are computed using an imputed interest rate on the related loan.

Workers' compensation

Oak Hill, exclusive of Gilead, self-insures for workers' compensation claims up to \$250,000 per individual claim. Oak Hill has secured a claims-made insurance policy to provide coverage above a deductible per claim and maximum amount per year for workers' compensation claims. The policy in place as of June 30, 2020 provides coverage for a single workers' compensation claim in excess of \$250,000.

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Workers' compensation, continued

The nature of workers' compensation claims is such that the estimated liabilities associated with a specific claim can be significant and subject to change. As of June 30, 2020 and 2019, accrued wages and fringe benefits included a liability of \$3,353,782 and \$3,762,298, respectively, reflecting management's estimate based on a third party actuarial calculation of the ultimate cost of workers' compensation claims not covered by insurance. Management's evaluation as reflected by the actuary, considers asserted claims and reflects the estimated cost of settling claims.

Gilead is a member of a trust that separately calculates its cost of coverage.

Revenue recognition

Oak Hill reports gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets, as support without donor restrictions if all such donor restrictions are met in the year the award is received. Gifts of cash and other assets that are received with donor stipulations limiting the use of the donated assets are reported as net assets with donor restrictions if such donor stipulations are not fully met in the year the award is received. When a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributed services are recognized in the consolidated financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition. However, Oak Hill does utilize volunteers to help support its mission.

Contributions

Oak Hill receives contributions to support operating activities, endowments and capital projects. These contributions can be from individuals, foundations, corporations or trusts. Oak Hill records contributions receivable, net of allowances for estimated uncollectable amounts, when there is sufficient evidence in the form of verifiable documentation that an unconditional promise was received. Conditional gifts, with a measurable performance or other barrier and right of return, are not recognized until the conditions on which they depend are substantially met or explicitly waived by the donor.

Special events

Special events revenue is comprised of an exchange between the direct benefits donors receive and their contribution. Oak Hill recognizes the net contribution for special events revenue in the month the event takes place, unless there is a right of return if the special event does not take place.

Oak Hill School revenue

Oak Hill recognizes revenue from student tuition and fees during the year in which the related services are provided to students. Contracts for tuition and other services (i.e. transportation and 1:1 support) are in place for each academic year, which are based on Oak Hill's fiscal year and are satisfied as of June 30th. Tuition contracts include a fixed annual tuition rate. Other services provided to students are covered under separate contracts. Oak Hill bills in arrears and issues monthly invoices to the respective Board of Education for tuition and corresponding services provided to students. Payments are due within 30 days of the invoice date. The performance obligation of delivering educational services is simultaneously received by the students; therefore, the revenue is recognized ratably over the course of the academic year. Tuition and corresponding services are payable unless the Planning and Placement Team convenes and agrees to withdraw the student from Oak Hill School, at which point the contract would terminate. Tuition due to Oak Hill for services provided represents contract assets and is recorded as accounts receivable.

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Oak Hill School revenue, continued

The opening and closing balances of Oak Hill's tuition and fees accounts receivable are as follows:

	<u>Tuition and Fees Accounts Receivable</u>
Opening (July 1, 2018)	\$1,883,266
Closing (June 30, 2019)	<u>1,918,481</u>
Increase	<u>\$ 35,215</u>
Opening (July 1, 2019)	\$1,918,481
Closing (June 30, 2020)	<u>1,106,920</u>
(Decrease)	<u>\$ (811,561)</u>

Because Oak Hill's performance obligations relate to contracts with a duration of one year or less, Oak Hill has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a), *Revenue from Contracts with Customers*, and therefore, is not required to disclose information about remaining performance obligations. There are no incremental costs of obtaining a contract and no significant financing components.

Government grant and contracts

Oak Hill receives grant and contract funding from various state governments to provide a variety of program services to the public based on certain performance requirements included in the agreement, and the incurrence of allowable qualifying expenses and other requirements. Such government grants and contracts are nonreciprocal transactions and include conditions stipulated by the government agencies and are, therefore, accounted for as conditional contributions. Public support is recognized as revenue when conditions are satisfied, typically when Oak Hill has incurred expenditures in compliance with specific contract or grant provisions.

Conditional government grants and contracts not recognized as of June 30, 2020 totaled \$43,719,831. Government grants and contracts are conditioned on incurring qualified program expenses which once incurred, may be less than this amount.

Cost settlement

Oak Hill is subject to cost settlement procedures prescribed by various agencies of the State of Connecticut. Management estimates that no cost settlement is due for the years ended June 30, 2020 and 2019.

Advertising expense

Oak Hill expenses advertising costs as incurred. Advertising expenses totaled \$189,957 and \$132,124 for the years ended June 30, 2020 and 2019, respectively.

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Functional allocation of expenses

The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated statements of activities and by nature and function in the consolidated statements of functional expenses. Oak Hill charges direct expenses incurred for a specific function directly to the program or supporting service category. These costs are those that can be specifically identified as being incurred for the activities of that program or supporting service. Other costs incurred that benefit more than one program or supporting service are allocated. Expenses allocated based on utilization of space include occupancy charges, building operations, technology, depreciation and amortization. Salaries, not directly charged, are allocated on the basis of estimates of time and effort. Employee benefits are allocated based on the program percentage of salary. Administrative and general expenses are allocated based on the percentage of a program expense to the total. Oak Hill reevaluates its allocation method each year.

Subsequent events

Oak Hill has evaluated events and transactions for potential recognition or disclosure through November 25, 2020, which is the date the consolidated financial statements were available to be issued.

Reclassifications

Certain amounts in the 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation.

NOTE 2 – CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated statements of financial position that sum to the amounts shown in the consolidated statements of cash flows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$11,319,123	\$6,560,629
Cash restricted to investment in property and equipment	<u>1,016,791</u>	<u>1,015,891</u>
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	<u>\$12,335,914</u>	<u>\$7,576,520</u>

NOTE 3 – LIQUIDITY AND AVAILABILITY

Oak Hill's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$11,319,123	\$ 6,560,629
Accounts receivable, net	8,102,933	8,198,670
Distributions from beneficial interests in perpetual trusts	2,281,313	2,173,956
Endowment spending-rate distributions and appropriations	<u>4,508,513</u>	<u>4,433,046</u>
Total financial assets available to meet general expenditures within one year	<u>\$26,211,882</u>	<u>\$21,366,301</u>

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Liquidity and availability, continued

Oak Hill regularly monitors liquidity required to meet its operating needs and other contractual commitments. Oak Hill manages its liquid resources by focusing on collecting receivables timely to maximize the cash collections due to Oak Hill.

Oak Hill has a board-designated endowment of \$62,645,248 that can be made available for general expenditure with approval from the Foundation's board, subject to investment liquidity provisions.

Oak Hill's endowment consists of donor-restricted endowments and a board-designated endowment. Income from both endowments is available for both general expenditure and specific purpose and is subject to a spending rate of up to 4.625% for operations from investments. Appropriations for general expenditure that will be available within the next 12 months is \$4,508,513.

In addition, Oak Hill has a \$4,000,000 line of credit available to meet cash flow needs. There were no funds withdrawn on the line as of June 30, 2020 and 2019. Gilead has \$1,000,000 and \$415,000 available on its line of credit as of June 30, 2020 and 2019, respectively.

NOTE 4 – CONCENTRATIONS

Cash and cash equivalents

Oak Hill maintains its cash and cash equivalents with high-credit quality financial institutions. At times, such amounts may exceed federal depository insurance limits. At June 30, 2020 the cash balance exceeded the federally insured limit by \$12,197,856. However, Oak Hill has not experienced any losses in this area, and management believes that Oak Hill's deposits are not subject to significant credit risk.

Government grants and contracts

A substantial portion of Oak Hill's revenue is derived from government grants and contracts. Since the contracts are evidenced by signed contracts with government and other agencies, management believes there is nominal credit risk associated with any outstanding grants receivable. As with all government funding, these grants and contracts may not be renewed or may be renewed in reduced amounts in future years. Any significant reduction in these grants and contracts could have an adverse effect on Oak Hill's program services. For the years ended June 30, 2020 and 2019, approximately 77% and 76% of its operating revenue is from the State of Connecticut, respectively. Approximately 70% and 61% of its accounts receivable is due from the State of Connecticut, respectively.

NOTE 5 – FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Oak Hill has the ability to access;
- Level 2 Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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Fair value measurement, continued

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. As a practical expedient, certain investments are measured at fair value on the basis of net asset value. The fair value of these investments is not included in the fair value hierarchy.

The following is a description of the valuation methodologies used for assets measured at fair value.

Money market funds: Money market funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded.

Equities, bonds - fixed income and commodities: These items are valued at the closing price reported in the active market in which the individual securities, bonds or commodities are traded. Certain corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

Exchange traded funds: Exchange traded funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded.

Pooled investment securities: These investments are held in a community foundation. The community foundation maintains a diversified portfolio investing in individual stocks, exchange-traded funds, mutual funds, corporate bonds, government obligations and short-term treasuries.

Real estate investments: The fair values of the investments in this category have been estimated using the net asset value of Oak Hill's ownership interest in partners' capital.

Private equity: Interests in hedge funds are valued by external investment managers taking into consideration the fair value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions. The valuations involve assumptions and methods that are reviewed by Oak Hill Foundation, Inc. Because investments in these partnerships are not readily marketable, their estimated fair value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed.

Beneficial interest in perpetual trusts: Beneficial interest in perpetual trusts held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement, which is measured by the fair values of the underlying assets. Oak Hill cannot access assets in the trust.

There have been no changes in the methodologies used at June 30, 2020 and 2019.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, Oak Hill believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value at the reporting date.

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Fair value measurement, continued

The following table sets forth by level, within the fair value hierarchy, Oak Hill's assets at fair value at June 30, 2020.

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 6,219,219	\$ -	\$ 6,219,219	\$ -
Equities:				
Domestic large cap	40,519,571	40,519,571	-	-
Domestic mid cap	7,819,941	7,819,941	-	-
Domestic small cap	8,822,886	8,822,886	-	-
International developed	11,455,414	11,455,414	-	-
Emerging markets	6,067,969	6,067,969	-	-
Bonds - fixed income:				
Investment grade taxable	18,537,985	12,829,699	5,708,286	-
International developed	242,111	-	242,111	-
Global high yield taxable	5,392,673	3,562,667	1,830,006	-
Other	500,789	500,789	-	-
Exchange traded funds	360,647	360,647	-	-
Pooled investment securities	301,667	-	301,667	-
Commodities	<u>1,881,276</u>	<u>1,881,276</u>	<u>-</u>	<u>-</u>
Total leveled investments, at fair value	<u>108,122,148</u>	<u>93,820,859</u>	<u>14,301,289</u>	<u>-</u>
Investments measured at net asset value ^(a) :				
Real estate	2,412,670	-	-	-
Private equity	<u>4,474,924</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments measured at net asset value	<u>6,887,594</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	115,009,742			
Beneficial interest in perpetual trusts	<u>47,664,524</u>	<u>-</u>	<u>-</u>	<u>47,664,524</u>
Total investments and beneficial interest in perpetual trusts	<u>\$162,674,266</u>			

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Fair value measurement, continued

The following table sets forth by level, within the fair value hierarchy, Oak Hill's assets at fair value at June 30, 2019.

<u>Description</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 4,468,135	\$ -	\$ 4,468,135	\$ -
Equities:				
Domestic large cap	38,829,732	38,829,732	-	-
Domestic mid cap	7,433,305	7,433,305	-	-
Domestic small cap	10,819,010	10,819,010	-	-
International developed	9,834,836	9,834,836	-	-
Emerging markets	6,546,806	6,546,806	-	-
Bonds - fixed income:				
Investment grade taxable	21,200,793	15,025,622	6,175,171	-
International developed	882,903	-	882,903	-
Global high yield taxable	5,395,186	3,304,405	2,090,781	-
Exchange traded funds	385,620	385,620	-	-
Pooled investment securities	286,706	-	286,706	-
Commodities	2,256,544	2,256,544	-	-
Total leveled investments, at fair value	<u>108,339,576</u>	<u>94,435,880</u>	<u>13,903,696</u>	<u>-</u>
Investments measured at net asset value ^(a) :				
Real estate	2,094,105	-	-	-
Private equity	4,797,998	-	-	-
Total investments measured at net asset value	<u>6,892,103</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	115,231,679			
Beneficial interest in perpetual trusts	<u>48,214,272</u>	<u>-</u>	<u>-</u>	<u>48,214,272</u>
Total investments and beneficial interest in perpetual trusts	<u>\$163,445,951</u>			

^(a) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

Oak Hill incurred bank charges, custodial fees and advisory fees totaling \$418,429 and \$407,890 for the years ended June 30, 2020 and 2019, respectively, for maintaining the investment funds.

There were no transfers between level 3 investments during the years ended June 30, 2020 and 2019.

Oak Hill uses pricing information supplied by investment managers to determine the net asset value for real estate and private equity investments.

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Fair value measurement, continued

Additional information regarding investments that report fair value based on net asset value per share or unit as of June 30, 2020 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Liquidity or Other Restrictions</u>
Real estate (a)	\$2,412,670	\$ -	None	-	None
Private Equity - Fund of Funds:					
Hamilton Lane Private Equity Fund IX (b)	2,892,158	761,098	None	-	None
Other:					
KKR Global Special Situations II Caymen Access LP (c)	605,956	147,500	None	-	None
LLCP Structured Equity Access Fund VI (d)	<u>976,810</u>	1,665,000	None	-	None
	<u>\$6,887,594</u>				

Additional information regarding investments that report fair value based on net asset value per share or unit as of June 30, 2019 is as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Liquidity or Other Restrictions</u>
Real estate (a)	\$2,094,105	\$ -	None	-	None
Private Equity - Fund of Funds:					
Hamilton Lane Private Equity Fund IX (b)	2,716,214	1,098,000	None	-	None
Other:					
KKR Global Special Situations II Caymen Access LP (c)	746,784	232,500	None	-	None
LLCP Structured Equity Access Fund VI (d)	<u>1,335,000</u>	1,665,000	None	-	None
	<u>\$6,892,103</u>				

The investment strategies of these investments are as follows:

- a. To invest in primarily stabilized commercial real estate properties.
- b. To provide a strategic blend of primaries, secondaries and co-investments to create a concentrated, well-diversified portfolio.
- c. To invest in rescue financing, recapitalization opportunities, control distressed investments, secondary distressed investments and opportunistic investments.

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Fair value measurement, continued

- d. Seeks attractive opportunistic risk-adjusted returns by acquiring positions of control or significant influence in real estate and real estate companies globally capitalizing on market instabilities and volatility and accessing growth opportunities.

The table below sets forth a summary of changes in the fair value of Oak Hill's Level 3 assets for the years ended June 30:

	<u>Beneficial Interest in Perpetual Trusts</u>
Balance - June 30, 2018	\$48,079,860
Distributions from perpetual trusts	(2,173,956)
Unrealized gains relating to investments still held at the reporting date	<u>2,308,368</u>
Balance - June 30, 2019	<u>48,214,272</u>
Distributions from perpetual trusts	(2,231,313)
Unrealized gains relating to investments still held at the reporting date	<u>1,681,565</u>
Balance - June 30, 2020	<u>\$47,664,524</u>

Gains and losses (realized and unrealized) included in changes in net assets for the years ended June 30, 2020 and 2019 are reported in net realized and unrealized gains on investments in the consolidated statements of activities.

The carrying amounts of cash and cash equivalents, certificates of deposit, accounts receivable, grants receivable, prepaid expenses and other assets, accounts payable and accrued expenses, Department of Developmental Services (DDS) cash advance, accrued wages and fringe benefits, and line of credit approximate their fair value because of the short-term nature of these instruments.

The fair value of Housing and Urban Development (HUD) capital advances is not provided because it is not practicable to determine due to the terms of the advances.

NOTE 6 – ACCOUNTS RECEIVABLE/DDS BRIDGE FUNDING ADVANCES

Oak Hill retains bridge funding advances from DDS to fund the cash flow requirements of Oak Hill's DDS programs in the amount of \$3,423,274 as of June 30, 2020 and 2019.

As shown below, these advances are offset against DDS accounts receivable on the accompanying consolidated statements of financial position.

	<u>2020</u>	<u>2019</u>
DDS accounts receivable	\$7,551,583	\$6,041,525
Less: DDS advance	<u>3,423,274</u>	<u>3,423,274</u>
Net DDS receivable	4,128,309	2,618,251
Other receivables	4,144,078	5,862,847
Less: allowance for doubtful accounts	<u>169,454</u>	<u>282,428</u>
Accounts receivable, net	<u>\$8,102,933</u>	<u>\$8,198,670</u>

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NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 5,810,594	\$ 6,033,794
Land improvements	3,713,519	3,536,069
Buildings and improvements	66,850,817	66,016,235
Furniture, equipment and vehicles	<u>9,185,751</u>	<u>10,215,760</u>
	85,560,681	85,801,858
Less: accumulated depreciation	<u>45,585,837</u>	<u>44,152,883</u>
Property and equipment, net	<u>\$39,974,844</u>	<u>\$41,648,975</u>

Depreciation and amortization expense was \$4,418,097 and \$4,509,307 (including \$470,203 and \$332,396 related to Gilead) for the years ended June 30, 2020 and 2019, respectively.

NOTE 8 – RESERVE FOR RATE ADJUSTMENTS

Oak Hill's expenses are subject to examination by several agencies of the State of Connecticut from which funding is received. Oak Hill believes that any adjustments that might result from such examinations would not have a material effect on its activities or financial position. The reserve for rate adjustments was \$2,000,658 and \$883,988 at June 30, 2020 and 2019.

NOTE 9 – LONG-TERM DEBT

Long-term debt outstanding as of June 30 was as follows:

	<u>2020</u>	<u>2019</u>
United States Department of Housing and Urban Development (HUD) mortgages, with interest ranging from 8.375% to 9.250%, payable over 40 years ending through 2034, with monthly payments of principal and interest ranging from \$2,024 to \$6,555, aggregate \$39,822 per month, collateralized by 27 group homes.	\$ 2,062,997	\$ 2,339,943
Commercial bank mortgages, with interest ranging from 2.923% to 5.150%, payable over 14 to 20 years, with monthly payments of principal and interest ranging from \$569 to \$18,978, aggregate \$52,318 per month, collateralized by 21 group homes.	4,216,337	4,636,432
Connecticut Housing Finance Authority (CHFA) mortgages, with interest of 6.626%, payable over 30 years beginning in 2000, with monthly payments of principal, interest and replacement reserves ranging from \$2,113 to \$2,959, aggregate \$10,694 per month, collateralized by 4 group homes.	952,952	1,015,862
Bank of America term loan, with interest at 2.900%, payable over 7 years, with monthly principal payments of \$15,833 plus interest through May 2022, at which time all outstanding balances are due and payable.	<u>2,834,167</u>	<u>3,024,167</u>
	10,066,453	11,016,404
Less: unamortized debt issuance costs	<u>13,919</u>	<u>15,288</u>
Long-term debt, net	<u>\$10,052,534</u>	<u>\$11,001,116</u>

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Long-term debt, continued

The group homes and blind services homes collateralized for each category of long-term debt are carried at a net book value as of June 30 as follows:

	<u>2020</u>	<u>2019</u>
HUD mortgages	\$ 2,372,344	\$2,556,469
Commercial bank mortgages	6,966,406	6,344,944
CHFA mortgages	<u>824,559</u>	<u>881,250</u>
	<u>\$10,163,309</u>	<u>\$9,782,663</u>

Future maturities of the long-term debt are as follows:

2021	\$ 1,556,119
2022	3,193,017
2023	539,946
2024	518,192
2025	474,313
Thereafter	<u>3,770,947</u>
Total	<u>\$10,052,534</u>

Interest expense for long-term debt was \$589,921 and \$659,002 (including \$118,337 and \$124,344 related to Gilead) for the years ended June 30, 2020 and 2019, respectively.

Under the terms of the debt agreements and the lines of credit (Note 12), Oak Hill and Gilead are required to maintain certain financial and other restrictive covenants.

NOTE 10 – PAYCHECK PROTECTION PLAN LOAN

On May 8, 2020, Gilead entered into a promissory note with Liberty Bank as the lender (the Lender), pursuant to which the Lender agreed to make a loan to Gilead under the Paycheck Protection Program (PPP) offered by the U.S. Small Business Administration (the SBA) in a principal amount of \$1,312,802 pursuant to Title 1 of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act).

The PPP loan proceeds are available to be used to pay for payroll costs, including salaries, commissions and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. If certain conditions are met, the amount that will be forgiven will be calculated in part with reference to Gilead's full-time headcount during the 24 week period following the funding of the PPP Loan.

The interest rate on the PPP loan is a fixed rate of 1% per annum. To the extent that the amounts owed under the PPP loan, or a portion of them, are not forgiven, Gilead will be required to make principal and interest payments in monthly installments beginning in December 2020. Therefore, a portion of the loan is considered a current liability. The PPP loan matures in two years.

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NOTE 11 – HUD CAPITAL ADVANCES

HUD capital advances were provided under Section 811 of the National Affordable Housing Act, with no interest and repayable only if the properties do not remain available for very low-income eligible individuals for at least 40 years. HUD capital advances of \$1,783,600 and \$3,006,300 at June 30, 2020 and 2019, respectively, were collateralized by four group homes and five blind service homes, which were carried at a net book value of \$1,034,876 and \$1,857,743 as of June 30, 2020 and 2019, respectively.

NOTE 12 – LINES OF CREDIT

Oak Hill, exclusive of Gilead, has an available line of credit with Bank of America of \$4,000,000, which expires on April 27, 2021. Bank of America holds a guarantee by Oak Hill Foundation, Inc. (the Foundation) that is supported by the unrestricted portion of the Foundation's long-term investments. Interest is charged at the bank's prime rate plus 1%. Bank of America charges Oak Hill 0.175% annually on the difference between the \$4,000,000 and the amount of credit they actually use, as determined by the average of the daily amount of credit outstanding during the specified period, and 0.5% annually for an unused commitment fee. The fees are due on a quarterly basis. Total fees paid were \$7,500 and \$7,446 for the years ended June 30, 2020 and 2019, respectively. The balance outstanding at June 30, 2020 and 2019 was \$0 and interest expense was \$0 and \$6,500 for the years ended June 30, 2020 and 2019, respectively.

Oak Hill has an available line of credit with TD Bank of \$1,500,000. The proceeds are to be used to acquire and improve properties for use as group homes. The line of credit will convert to a mortgage loan upon completion of the project. The line of credit is guaranteed by the Foundation. Interest on the line of credit is charged at the bank's prime rate plus 1%. Upon conversion of the line of credit to a mortgage loan, interest will be charged at a fixed rate that will be determined at the date of conversion. Upon conversion, monthly payments of principal and interest will be due and payable over a 20-year amortization schedule. The balance outstanding on the line of credit was \$0 at June 30, 2020 and 2019 and interest expense was \$0 for the years ended June 30, 2020 and 2019.

Gilead has a revolving line of credit with Liberty Bank that is due on demand, which provides borrowings up to a maximum of \$1,000,000. Borrowings under the line bear interest at The Wall Street Journal prime rate and are collateralized by all business assets of Gilead. The balance outstanding at June 30, 2020 and 2019 was \$0 and \$585,000, respectively, and interest expense was \$3,688 and \$2,644 for the years ended June 30, 2020 and 2019, respectively.

NOTE 13 – LETTERS OF CREDIT

Oak Hill has two irrevocable standby letters of credit in the amounts of \$4,677,000 and \$2,000,000 with Bank of America for the benefit of the Travelers Insurance Company and the United States Fire Insurance Company, respectively, to support Oak Hill's workers' compensation insurance benefits. In August 2020, the letters of credit were amended to \$2,677,000 (effective October 10, 2020) and \$2,375,000 (effective August 1, 2020), respectively. The letters expire on October 10, 2021 and July 31, 2021, respectively. The Foundation guarantees the reimbursement of any drawdowns against the letter for Bank of America. There were no drawdowns against the letters through June 30, 2020 and 2019, respectively.

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NOTE 14 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 are restricted for the following purpose or period:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Scholarship and employee awards	\$ 445,810	\$ 420,927
Programs to aid the visually impaired and multi-handicapped	2,899,401	2,821,265
Equipment	51,759	61,648
Veterans	-	50,000
Time restriction:		
Accumulated gains and income available for appropriation by the Board of Directors	<u>41,923,997</u>	<u>42,037,121</u>
Total donor restricted by purpose or time	<u>45,320,967</u>	<u>45,390,961</u>
Restricted in perpetuity:		
Scholarship awards	174,685	174,685
Programs to aid the visually impaired and multi-handicapped	1,214,603	1,214,603
Any activities of Oak Hill:		
Investments held by Oak Hill	6,281,862	6,281,862
Beneficial interest in perpetual trusts	<u>47,664,524</u>	<u>48,214,272</u>
Total donor restricted in perpetuity	<u>55,335,674</u>	<u>55,885,422</u>
 Total net assets with donor restrictions	 <u>\$100,656,641</u>	 <u>\$101,276,383</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following restrictions:

	<u>2020</u>	<u>2019</u>
Purpose restrictions:		
Scholarship and employee awards	\$ 15,119	\$ -
Programs to aid the visually impaired and multi-handicapped	2,594,313	2,172,968
Equipment	102,795	88,708
Veterans	<u>50,000</u>	<u>-</u>
Total net assets released	<u>\$2,762,227</u>	<u>\$2,261,676</u>

NOTE 15 – BOARD-DESIGNATED NET ASSETS

Oak Hill's Board has designated from net assets without donor restrictions \$62,645,248 of net assets to be held for investment purposes with the earnings subject to the spending policy.

NOTE 16 – ENDOWMENT

Interpretation of relevant law

Oak Hill's endowment includes donor-restricted endowment funds and funds designated by the Board of Directors. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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Interpretation of relevant law, continued

The Board of Directors has interpreted the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, Oak Hill classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by CTUPMIFA. In accordance with CTUPMIFA, Oak Hill considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of Oak Hill and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effect of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of Oak Hill.
7. The investment policies of Oak Hill.

Donor-restricted and board-designated endowment funds are held by the Foundation.

Endowment net asset composition

The following table represents the composition of Oak Hill's endowment by net asset class at June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$62,645,248	\$ -	\$ 62,645,248
Donor-restricted endowment funds	-	290,547	290,547
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	7,671,148	7,671,148
Accumulated investment gains	<u>-</u>	<u>41,923,997</u>	<u>41,923,997</u>
	<u>\$62,645,248</u>	<u>\$49,885,692</u>	<u>\$112,530,940</u>

The following table represents the composition of Oak Hill's endowment by net asset class at June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated endowment funds	\$62,263,681	\$ -	\$ 62,263,681
Donor-restricted endowment funds	-	281,342	281,342
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	7,671,148	7,671,148
Accumulated investment gains	<u>-</u>	<u>42,037,121</u>	<u>42,037,121</u>
	<u>\$62,263,681</u>	<u>\$49,989,611</u>	<u>\$112,253,292</u>

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Changes in endowment net assets

Changes in endowment net assets

The following table represents the changes in Oak Hill's endowment funds during the year ended June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$62,263,681	\$49,989,611	\$112,253,292
Investment return, net	2,707,311	2,007,498	4,714,809
Contributions	333,373	-	333,373
Appropriation of endowment assets for expenditure	<u>(2,659,117)</u>	<u>(2,111,417)</u>	<u>(4,770,534)</u>
Endowment net assets, end of year	<u>\$62,645,248</u>	<u>\$49,885,692</u>	<u>\$112,530,940</u>

The following table represents the changes in Oak Hill's endowment funds during the year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$60,912,983	\$49,148,727	\$110,061,710
Investment return, net	3,688,420	2,911,030	6,599,450
Contributions	296,538	-	296,538
Appropriation of endowment assets for expenditure	<u>(2,634,260)</u>	<u>(2,070,146)</u>	<u>(4,704,406)</u>
Endowment net assets, end of year	<u>\$62,263,681</u>	<u>\$49,989,611</u>	<u>\$112,253,292</u>

Amounts classified as donor restricted net assets (endowment only) are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Restricted net assets:		
The portion of perpetual endowment funds subject to a time restriction under CTUPMIFA:		
Without purpose restrictions	\$37,389,228	\$37,488,840
With purpose restrictions	<u>4,534,769</u>	<u>4,548,281</u>
Total endowment funds classified as restricted net assets	<u>\$41,923,997</u>	<u>\$42,037,121</u>

Underwater endowments

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor or CTUPMIFA requires Oak Hill to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2020 and 2019.

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Return objectives and risk parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include donor-restricted assets that Oak Hill must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, endowment assets are invested in a manner that is intended to meet Oak Hill's primary objective of preservation of capital and secondary objective of long-term capital appreciation.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, Oak Hill relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Oak Hill targets a diversified asset allocation that places a greater emphasis on fixed income investments to achieve its primary long-term objective of preservation of capital.

Spending policy and how the investment objectives relate to spending policy

The Foundation's spending policy limits annual spending to no more than 4.625% of a 20-quarter rolling average market value. Expenditures will be made at the discretion of Oak Hill's Board. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment return.

NOTE 17 – EMPLOYEE BENEFIT PLANS

Defined contribution retirement plan

Oak Hill, exclusive of Gilead, maintains a noncontributory, defined contribution retirement plan for employees hired after January 1, 1993 who have at least 1 year of service and have reached 21 years of age. Participants are immediately vested in their rollover contributions, including the earnings on these amounts. Vesting in the remainder of their accounts is based on years of continuous service. Participants are fully vested in employer contributions after completion of five years of service. Oak Hill's contributions to the plan for the years ended June 30, 2020 and 2019 were \$1,761,732 and \$1,827,737, respectively.

Gilead maintains a 401(k) plan for all eligible employees. Non-union employees who participate in the 401(k) plan are eligible for an employer safe harbor matching contribution. Union employees who participate in the 401(k) plan are eligible for a non-elective employer contribution as per the requirement of Gilead's collective bargaining agreement with the union. Contributions to the plan for the years ended June 30, 2020 and 2019 were \$145,239 and \$165,943, respectively.

Multi-employer pension plan

Oak Hill, exclusive of Gilead, employees hired prior to January 1, 1993 who participate in collective bargaining agreements are members of the State of Connecticut (the State) Employee's Retirement Plan. The plan is contributory for certain employees. Benefits are funded by appropriations from the State general fund. Oak Hill made no contributions to this plan for the years ended June 30, 2020 and 2019. It is impractical to determine amounts of pension contributions made by the State pertaining to Oak Hill employees and the related actuarial value of accumulated benefits and plan assets.

The risks of participating in multi-employer defined benefit pension plans are different from single-employer plans because (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if Oak Hill chooses to stop participating in its multi-employer plan, it may be required to pay a withdrawal liability to the plan.

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Multi-employer pension plan, continued

Plan information for the State of Connecticut Employee's Retirement Plan is not publicly available. The State of Connecticut Employee's Retirement Plan provides fixed retirement benefits based on years of credited service and average salary by eligible employees. Oak Hill is unable to provide additional quantitative information about total plan assets, accumulated benefit obligations and the amount by which the State of Connecticut Employee's Retirement Plan is funded without undue cost and effort.

NOTE 18 – COMMITMENTS

Operating leases

Oak Hill leases certain vehicles, furniture and other property under various operating leases. Lease expense under these leases was \$805,031 and \$715,350 for the years ended June 30, 2020 and 2019, respectively. The following is a schedule by years of required future minimum lease payments under operating leases as of June 30, 2020:

Year Ending June 30:

2021	\$ 482,066
2022	216,710
2023	214,351
2024	101,665
2025	<u>80,626</u>
Total	<u>\$1,095,418</u>

Capital leases

Oak Hill leases certain vehicles under capital leases. The following is a summary of property under capital lease as of June 30:

	<u>2020</u>	<u>2019</u>
Vehicles	\$9,102,099	\$8,204,181
Less: accumulated amortization	<u>7,099,071</u>	<u>5,842,916</u>
Net equipment under capital leases	<u>\$2,003,028</u>	<u>\$2,361,265</u>

Amortization expense relative to the above property was \$1,245,799 and \$1,329,738 for the years ended June 30, 2020 and 2019, respectively, and is included in depreciation and amortization expense as disclosed in Note 7.

Interest expense on the capital lease obligations was \$21,516 and \$33,922 for the years ended June 30, 2020 and 2019, respectively.

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Capital leases, continued

The following is a schedule by years of future minimum payments under capital leases, together with the present value of minimum lease payments as of June 30, 2020:

<u>Year Ending June 30:</u>	
2021	\$ 868,676
2022	440,816
2023	345,049
2024	223,180
2025	<u>165,089</u>
Total minimum lease payments	2,042,810
Less: amount representing interest	<u>39,782</u>
Obligations under capital leases	<u>\$2,003,028</u>

NOTE 19 – STATE LIENS ON PROPERTY

The State of Connecticut holds liens in the amount of \$647,000 on Oak Hill's headquarters facility. Under the terms of the liens, the liens will be foreclosed on behalf of the State if the land or buildings are used for any purpose other than to carry on the mission of Oak Hill.

Gilead has received grants from the State of Connecticut Department of Mental Health and Addiction Services to assist with the purchase of buildings or make renovations to existing structures. Under the terms of the agreement, Gilead must, on a continuous basis for ten years from the date the grant funds were expended, assist individuals who have experienced a severe disruption in their psychiatric and behavioral function. If Gilead were to discontinue usage of the property for the specified grant purpose, the grant would be repayable to the State of Connecticut, less 10% for each year which has elapsed. The State of Connecticut has liens on properties for the amounts of the grants, which terminate from October 2020 to August 2026.

NOTE 20 – CASH FLOWS

Additional cash flow information

Cash paid for interest on debt and capital leases totaled \$615,124 and \$702,068 for the years ended June 30, 2020 and 2019, respectively.

Noncash financing and investing activities

Oak Hill acquired additional vehicles through the assumption of capital lease obligations of \$1,068,562 and \$297,516 for the years ended June 30, 2020 and 2019, respectively. Additionally, the West Hartford HUD transfer of assets as well as the Farrell contribution of net assets incurred during the fiscal year June 30, 2020.

NOTE 21 – CONTINGENCIES

Oak Hill is party to a number of asserted and unasserted claims. While the final outcome cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on Oak Hill's consolidated financial statements.

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NOTE 22 – RISKS AND UNCERTAINTIES

Recently, the outbreak of the novel coronavirus has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. Depending on the severity and length of the outbreak, the novel coronavirus could present material uncertainty and risk with respect to Oak Hill and its operations and financial results.

SUPPLEMENTARY INFORMATION

**THE CONNECTICUT INSTITUTE FOR THE BLIND
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Consolidating Statement of Financial Position

June 30, 2020

	Oak Hill	Gilead/Rainbow	Consolidated
ASSETS			
Cash and cash equivalents	\$ 10,126,196	\$ 1,192,927	\$ 11,319,123
Accounts receivable, net	7,554,730	548,203	8,102,933
Prepaid expenses and other assets	1,250,222	174,171	1,424,393
Investments	114,493,442	516,300	115,009,742
Beneficial interest in perpetual trusts	47,664,524	-	47,664,524
Cash restricted to investment in property and equipment	1,016,791	-	1,016,791
Property and equipment, net	34,233,454	5,741,390	39,974,844
Total Assets	\$ 216,339,359	\$ 8,172,991	\$ 224,512,350
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses	\$ 3,344,528	\$ 266,448	\$ 3,610,976
Accrued wages and fringe benefits	8,873,254	688,816	9,562,070
Refundable advances	3,037,999	148,250	3,186,249
Paycheck Protection Program loan	-	1,312,802	1,312,802
Obligations under capital leases	2,003,028	-	2,003,028
Interest rate swap obligation	19,425	-	19,425
Long-term debt, net	7,710,267	2,342,267	10,052,534
Funds held on behalf of others	24,187	222,782	246,969
DDS cash advance	794,479	-	794,479
HUD capital advances	1,783,600	-	1,783,600
Total liabilities	27,590,767	4,981,365	32,572,132
Net Assets			
Without donor restrictions	88,091,951	3,191,626	91,283,577
With donor restrictions	100,656,641	-	100,656,641
Total net assets	188,748,592	3,191,626	191,940,218
Total Liabilities and Net Assets	\$ 216,339,359	\$ 8,172,991	\$ 224,512,350

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Consolidating Statement of Activities

For the year ended June 30, 2020

	Oak Hill			Gilead/Rainbow			Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Other Additions									
Group home services	\$ 59,557,505	\$ -	\$ 59,557,505	\$ -	\$ -	\$ -	\$ 59,557,505	\$ -	\$ 59,557,505
Adult day programs	3,571,606	-	3,571,606	-	-	-	3,571,606	-	3,571,606
Oak Hill School	13,778,009	-	13,778,009	-	-	-	13,778,009	-	13,778,009
Behavioral health services	-	-	-	13,944,465	-	13,944,465	13,944,465	-	13,944,465
Easter Seals Camp	387,824	-	387,824	-	-	-	387,824	-	387,824
Oak Hill Centers	1,140,475	-	1,140,475	-	-	-	1,140,475	-	1,140,475
Interest income	-	25,699	25,699	6,774	-	6,774	6,774	25,699	32,473
Other	653,789	-	653,789	-	-	-	653,789	-	653,789
Net assets released from restrictions	2,762,227	(2,762,227)	-	-	-	-	2,762,227	(2,762,227)	-
Total operating revenues	<u>81,851,435</u>	<u>(2,736,528)</u>	<u>79,114,907</u>	<u>13,951,239</u>	<u>-</u>	<u>13,951,239</u>	<u>95,802,674</u>	<u>(2,736,528)</u>	<u>93,066,146</u>
Operating Expenses									
Program expenses:									
Group home services	57,551,476	-	57,551,476	-	-	-	57,551,476	-	57,551,476
Adult day programs	3,723,968	-	3,723,968	-	-	-	3,723,968	-	3,723,968
Oak Hill School	11,651,524	-	11,651,524	-	-	-	11,651,524	-	11,651,524
Behavioral health services	-	-	-	12,459,201	-	12,459,201	12,459,201	-	12,459,201
Easter Seals Camp	1,041,485	-	1,041,485	-	-	-	1,041,485	-	1,041,485
Oak Hill Centers	2,405,092	-	2,405,092	-	-	-	2,405,092	-	2,405,092
Other	1,249,142	-	1,249,142	-	-	-	1,249,142	-	1,249,142
Total program expenses	<u>77,622,687</u>	<u>-</u>	<u>77,622,687</u>	<u>12,459,201</u>	<u>-</u>	<u>12,459,201</u>	<u>90,081,888</u>	<u>-</u>	<u>90,081,888</u>
Support services:									
Management and general	8,708,820	-	8,708,820	1,781,379	-	1,781,379	10,490,199	-	10,490,199
Fundraising	315,982	-	315,982	128,251	-	128,251	444,233	-	444,233
Total support services	<u>9,024,802</u>	<u>-</u>	<u>9,024,802</u>	<u>1,909,630</u>	<u>-</u>	<u>1,909,630</u>	<u>10,934,432</u>	<u>-</u>	<u>10,934,432</u>
Total operating expenses	<u>86,647,489</u>	<u>-</u>	<u>86,647,489</u>	<u>14,368,831</u>	<u>-</u>	<u>14,368,831</u>	<u>101,016,320</u>	<u>-</u>	<u>101,016,320</u>
Change in Net Assets from Operations	<u>(4,796,054)</u>	<u>(2,736,528)</u>	<u>(7,532,582)</u>	<u>(417,592)</u>	<u>-</u>	<u>(417,592)</u>	<u>(5,213,646)</u>	<u>(2,736,528)</u>	<u>(7,950,174)</u>
Non-operating revenues and expenses									
Investment income, net	1,455,391	1,471,244	2,926,635	6,325	-	6,325	1,461,716	1,471,244	2,932,960
Net realized and unrealized gains on investments	774,126	477,771	1,251,897	(2,279)	-	(2,279)	771,847	477,771	1,249,618
Income from perpetual trusts	2,231,311	-	2,231,311	-	-	-	2,231,311	-	2,231,311
Gifts, grants, bequests and fundraising	732,167	717,520	1,449,687	502,614	-	502,614	1,234,781	717,520	1,952,301
State grants for capital projects	130,500	-	130,500	68,947	-	68,947	199,447	-	199,447
Unrealized gain on interest rate swap	17,247	-	17,247	-	-	-	17,247	-	17,247
Decrease in value of beneficial interest in perpetual trusts	-	(549,749)	(549,749)	-	-	-	-	(549,749)	(549,749)
Distribution of West Hartford HUD project net assets	1,058,382	-	1,058,382	-	-	-	1,058,382	-	1,058,382
Loss on transfer of West Hartford HUD project	(713,348)	-	(713,348)	-	-	-	(713,348)	-	(713,348)
Contribution of Farrell Treatment Center net assets	-	-	-	593,021	-	593,021	593,021	-	593,021
Change in Net Assets from Non-operating Activities	<u>5,685,776</u>	<u>2,116,786</u>	<u>7,802,562</u>	<u>1,168,628</u>	<u>-</u>	<u>1,168,628</u>	<u>6,854,404</u>	<u>2,116,786</u>	<u>8,971,190</u>
Change in Net Assets	<u>889,722</u>	<u>(619,742)</u>	<u>269,980</u>	<u>751,036</u>	<u>-</u>	<u>751,036</u>	<u>1,640,758</u>	<u>(619,742)</u>	<u>1,021,016</u>
Net Assets - Beginning of Year	<u>87,202,229</u>	<u>101,276,383</u>	<u>188,478,612</u>	<u>2,440,590</u>	<u>-</u>	<u>2,440,590</u>	<u>89,642,819</u>	<u>101,276,383</u>	<u>190,919,202</u>
Net Assets - End of Year	<u>\$ 88,091,951</u>	<u>\$ 100,656,641</u>	<u>\$ 188,748,592</u>	<u>\$ 3,191,626</u>	<u>\$ -</u>	<u>\$ 3,191,626</u>	<u>\$ 91,283,577</u>	<u>\$ 100,656,641</u>	<u>\$ 191,940,218</u>