

# **Blind Industries and Services of Maryland**

**Governor's Annual Report  
2009**

**Blind Industries and Services of Maryland  
3345 Washington Boulevard  
Baltimore, MD 21227  
(410) 737-2600  
[www.bism.org](http://www.bism.org)**

## **Joint Message from BISM Chairman of the Board Donald J. Morris and President Frederick J. Puente**

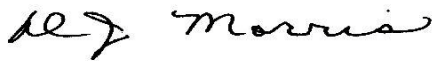
Blind Industries and Services of Maryland (BISM) is honored to present our Annual Report for the Fiscal Year that concluded on June 30, 2009. The report includes information on BISM operations, facilities and rehabilitation programs. This report is submitted pursuant to Human Services Article 7-703 (h)(6) (MSAR #6071) and is prepared in accordance with Section 2-1246 of the State Government Article. BISM's 2009 Annual Report is presented to The Honorable Governor Martin O'Malley, the General Assembly, and the Honorable Verna Jones and Steven DeBoy, Co-Chairs of the Joint Audit Committee.

Despite the financial hardships that faced all sectors of the nation's economy, Blind Industries and Services of Maryland managed to have a successful and fulfilling FY09. Our success is a testament to the commitment and hard work that each of the 400-plus associates puts forth, day in and day out.

Moving forward, BISM is committed to offering more "Green" products and services at competitive prices, in an effort to promote environmentally friendly products in the State of Maryland. We continue to evaluate new products and markets that can potentially lead to new customers and more jobs for blind and low vision Marylanders.

State funding continues to play an essential role in BISM's ability to offer outstanding rehabilitation, training, and services free of charge to the blind and low vision citizens of Maryland. On behalf of BISM's Board of Trustees, management team, and associates, we extend our genuine appreciation to the Maryland General Assembly and to Governor O'Malley for your continued support.

Sincerely,



Donald J. Morris  
Chairman, Board of Trustees



Frederick J. Puente  
President

# **BISM Board of Trustees and Management**

## **Board of Trustees**

Donald J. Morris – Chairman of the Board  
Walter A. Brown, Ed.D. – Vice Chairman of the Board  
William E. Hadlock, Ed.D. – Secretary  
James R. Berens – Treasurer  
Gerald L. Moschel  
Martha E. Seabrooks  
Millicent A. Morris  
George H. Littrell, Jr.

## **Management**

Frederick J. Puente – President  
Jack Grizzel – Chief Operating Officer  
Holly Stanley – Chief Accounting Officer  
Guy DeRossi – Senior Director  
Christina Davis – Senior Director  
Ken Barnett – Director of Base Service Stores  
Gregg Kalifut – Sales and Marketing Manager  
Amy Phelps – Director of Rehabilitation Services  
Courtney Nathan – Community Outreach and Development Manager

## **Introduction to Blind Industries and Services of Maryland**

Blind Industries and Services of Maryland (BISM) was established in 1908 by the Maryland General Assembly and has evolved into a multifaceted company that offers diverse employment and comprehensive rehabilitation services for blind and low vision Marylanders of all ages.

BISM currently employs over 400 associates, the majority of whom are blind or low vision, and offers competitive wages, health and retirement benefits, and job security. The entire organization is built on the belief that every one of our associates plays an integral part in the overall success of BISM. With the funds generated by our hard working manufacturing associates, we are able to guarantee the high level of rehabilitation programs and services offered free of charge to blind Maryland residents.

BISM operates eleven locations in five states, including our main manufacturing facilities in Baltimore, Cumberland, and Salisbury; six Office Eagle Base Supply Centers on military bases; and BISM Beverage, a full service water and custom labeling division. BISM manufactures the following at very competitive prices: a full range of office paper products; janitorial/sanitation supplies, from chemicals to application; cut and sewn products, including uniforms for all branches of the military; assembly and packaging services, better known as "kitting"; and spring water products and custom labels.

BISM's nationally recognized rehabilitation programs and services continue to expand and evolve. BISM's dedicated Rehabilitation Department staff, many of whom are blind, provides in-depth blindness training for adults, seniors, and children. We are the only Maryland-based company or organization that offers blind citizens life-skills instruction, in everything from Braille to Cane Travel, along with adjustment to blindness seminars, confidence building activities, and workshops.

Our company has an uncompromising belief in the capabilities of people who are blind, and every day we see that belief borne out in the accomplishments of our associates and students. We offer an environment that encourages our associates and students to become self-sufficient, productive members of society. BISM has shattered the myth that blindness limits the ability to pursue a career, attend college, manage an active family or contribute to the community.

BISM works actively with Federal and State agencies, along with elected representatives, to insure that the funding of necessary rehabilitation programs continues. It is BISM's goal to continue to grow by creating more jobs, expanding our services and exploring new opportunities for blind people.

# **The Current State of BISM – Fiscal Year 2009**

## **(July 1, 2008 – June 30, 2009)**

### **Manufacturing and Production**

*BISM strives to be the ideal business partner by delivering competitive, quality products and services to government agencies and private businesses. BISM continues to meet the needs of a fast-changing marketplace without sacrificing the quality of our products and services.*

*By purchasing through BISM, State and Federal agencies do much more than comply with the law: They make it possible for blind Marylanders to live full and independent lives.*

BISM's manufacturing division was solid during the early part of FY09, and ended with a big surge in our sewing division.

The surge was due to the doubling of the production order for the Army's Improved Physical Fitness Uniform (IPFU). The Defense Supply Center Philadelphia (DSCP) approached BISM in March 2009 and requested that we increase our monthly output of IPFU's, which are given to each new Army recruit, from 15,000 to 31,000. The increase was to begin in June 2009 and end in December 2009.

While BISM's manufacturing division welcomed the increase in work, it necessitated hiring more personnel and training the new associates. While most businesses were cutting back, BISM added about 60 new employees to work at our Cumberland and Salisbury plants. We found it difficult to find qualified seamstresses in Salisbury, especially blind applicants, but had an easier time finding skilled seamstresses in Cumberland. Through our associates commitment and dedication, we were able to get the new hires up to speed in April and began producing increased amounts of IPFU's in May.

The IPFU surge also had a positive impact on our fabric cutting division output. In addition to the IPFU, we continued to cut fabric for the Army Combat Uniform (ACU) and the Air Force Physical Training Uniform (PTU).

While BISM didn't financially benefit greatly from the surge in FY09, BISM finished the year well above budget expectations. The real financial gain of the surge has been felt in the first half of FY10.

The Janitorial and Sanitation product line exceeded expectations for FY09 due to increased demand from a growing number of customers. The paper division remained steady and we continue to be satisfied with our paper line.

## Office Eagle

*BISM owns and operates six Office Eagle Base Supply Centers (BSC) located on federal military installations in Maryland, Delaware, District of Columbia and Kentucky. More than two-thirds of our retail Office Eagle associates are blind or low vision and blind associates play a pivotal role in all aspects of the operation.*

*Office Eagle is a true “one-stop” shopping solution for our base customers, by providing office supplies, cleaning products, tools, and military uniforms. In an effort to satisfy customer demands, our e-commerce site ([www.SuperEagleSupply.com](http://www.SuperEagleSupply.com)) offers next day delivery for over 30,000 office supplies. The Dover Office Eagle also operates the Hazmart Pharmacy, where all items deemed as hazardous are managed by BISM associates.*

*BISM opened its first Office Eagle BSC on Dover Air Force Base in December 1997. The BSC program was created in 1995 by the National Industries for the Blind (NIB) and the President’s Committee for Purchase from People Who are Blind or Severely Disabled and distributes blind and disabled made products under the auspices of the AbilityOne Program. Office Eagle is an innovator in providing assistive technology tools for our blind and low vision associates, including a computer magnification program known as ZoomText, CCTVs, wireless handheld talking scanners, and talking cash registers.*

This was an exciting and rewarding year for the Office Eagle division. The Office Eagle stores generated over \$19.76 million in sales during FY09.

On November 18, Office Eagle hosted a Grand Opening ceremony at our new store at the Defense Intelligence Agency (DIA), located on Bolling Air Force Base. The new store was launched one month after the contract was signed, thanks to the tireless work by Office Eagle management and associates.

Throughout the year, numerous Office Eagle associates were honored by organizations and government agencies, including Fort Knox associate Tacuma Lodge, who was BISM’s nominee for the Peter J. Salmon Service Employee of the Year at the NIB annual conference in Kansas City.

Construction of the new state-of-the-art, 17,500 sq ft Fort Knox Office Eagle store took place during FY09. The new Office Eagle store offers a wide variety of office supplies, and features a furniture showroom, expanded product selection, and customer service and courtesy counters. The Fort Knox Grand Opening ceremony was held on December 10, 2009, and included base personnel, dignitaries, supporters, and BISM management.

The future of the Office Eagle division continues to look very good, as we pursue opportunities to open new stores and expand current stores.

## **Sales and Marketing**

BISM's Sales and Marketing Department had an overall positive FY09, even as the economy struggled.

The Janitorial and Sanitation (Jan-San) product line proved to be a real winner, due in large part to the substantial sales growth in the toilet paper and paper towel products. The growth of these products over the last 12-18 months has been tremendous and a real boon to BISM's bottom line. Trash can liners sales remain positive for BISM and have maintained consistent numbers. The Jan-San growth can also be attributed to more diverse product lines, including environmentally friendly products that are on an upward swing.

The Chemicals product line was steady in FY09, and we saw encouraging growth in our foaming soaps. We project that our foaming soap line will attract more customers and really take off in FY10 and beyond.

Paper product sales have seen a small increase over the past few years, and are a consistent product line for BISM. Despite paper sales declines across the country and the theory that the paper industry is "dying" in the technology age, BISM continues to meet our customer needs for paper products.

The Sales team perseveres in its effort to educate our potential State customers who are not aware that BISM can supply them with all their product needs while being compliant with preferred purchase laws. Through education, we hope to gain a greater penetration in the State marketplace.

The process we go through to earn new business was altered a bit in FY09; we are now concentrating our sales efforts and pitches on procurement management and less on sales representatives. In addition, the Sales team has focused our sales efforts on a few specific large agencies that we hope to do business with in FY10.

## **BISM Beverage**

The BISM Beverage division experienced an active FY09. BISM Beverage relocated its bottling facility from Ellicott City, Maryland to Berkeley Springs, West Virginia.

BISM reached an agreement with an existing bottling facility in Berkeley Springs and completely renovated the building. The net result of the move was BISM now owns our treatment and bottling equipment and will soon own the water source. Owning the assets helps BISM Beverage in its sales effort, especially in our efforts to obtain government contracts.

BISM Beverage offers its No Ordinary Water (NOW) in 16.9 oz, 20 oz, and 5 gallon, and also designs and creates custom labels for 16.9 and 20 oz bottles.

While sales numbers were below expectations in FY09, we are encouraged that BISM Beverage will steadily grow in years to come with the addition of new State and Federal customers.

## **Rehabilitation Department**

*The mission of BISM's nationally recognized Rehabilitation Department is to provide blind and low vision people of all ages with life skills training that will lead to self-reliance and independence. Maryland residents continue to receive all BISM programs and services free of charge and out-of-state participants are often subsidized by their State. BISM's training facilities are among the best in the nation, and the programs are successful because our dedicated team of blind instructors serve as teachers, mentors, role models and friends to the students.*

During FY09, the Rehabilitation Department continued to evolve. We began to expand our services in Salisbury with the construction of the Salisbury Training Center for Blind Seniors, a free-standing facility that will provide center-based training for blind and low vision seniors of the Eastern Shore. A physical fitness class was added to the adult CORE program curriculum and the confidence-building class meets three times per week.

There were 380 referrals to our adult and senior blindness skills training programs. A total of 40,495 training hours were provided through center-based programs at locations in Baltimore, Salisbury, and Cumberland, as well as home visitations, support groups, community workshops, and a residential senior retreat. Eleven blind participants found volunteer, part-time or full-time employment after they received training at BISM, while others went on to pursue higher education, enter job skills training, or return to a more independent lifestyle.

### **CORE Program**

*BISM's Comprehensive Orientation, Rehabilitation, and Empowerment (CORE) Program teaches blind and low vision adults the "skills of blindness" so they may regain control of their lives, become employed, or pursue post-secondary education. Confidence building is an essential element of the program and is reinforced with each accomplishment. CORE students are taught by blind instructors and learn using non-visual methods in a classroom setting. The curriculum includes Braille, white cane travel, independent living, accessible computer technology, along with adjustment to blindness seminars and group activities. The CORE program generally requires eight to ten months to complete.*



*CORE is a residential program and we consider residential living an essential component, designed to integrate skills developed throughout training. Students live in a BISM-owned apartment building and are responsible for managing daily living skills like shopping, meal preparation, cleaning, and money management. Students also learn the importance of becoming active members of the community.*

In FY09, there were five students who successfully completed the CORE program. Twenty-two additional students took part in CORE training, six of whom are on track to complete the program in FY10. Four participants had to withdraw from the CORE program for medical reasons. Forty-one blind and low vision adults participated in a Two/Three-Day Assessment, which offered the prospective student an opportunity to take part in all aspects of the CORE program. A total of 27,766 training hours were dedicated to Maryland CORE students, and 3,512 training hours were dedicated to out-of-state CORE students.

### **Senior Services**

*BISM Senior Services offers life skills training, support groups, resource materials, teaching aids and social outings for blind and low vision seniors. We offer senior services at our Baltimore, Cumberland, and Salisbury locations, as well as one-day workshops throughout the State. The objective of our program is to provide seniors with independent living skills that enable them to remain in their homes and out of nursing facilities, while improving their quality of life.*

During FY09, the following training programs and services were offered to blind and low vision seniors across the state of Maryland:

- a. Center-based Seniors Achieving Independent Living (SAIL) training programs in Baltimore, Cumberland, and Salisbury
- b. Monthly support group meetings
- c. Home teaching instruction
- d. Residential, four-day training retreat - Baltimore
- e. One-day community workshops:
  - Basic Blindness Skills (Life Enhancement)
  - Financial Independence (Dollars and Sense)
  - Diabetes Management and Self-care (Healthy Lifestyles)
- f. Bi-lingual (Spanish) training - Baltimore

The SAIL training curriculum includes classes in Braille, cane travel, independent home living, assistive computer technology, adjustment to blindness, and crafts. Classes are taught by blind instructors who serve as teachers, mentors, and role models, and seniors are empowered to reach for higher levels of independence. BISM's training classes are critically important for blind seniors, many of whom live alone and without the support of family. With the skills acquired at BISM,

senior participants become better equipped to manage their daily needs, remain in their own homes, resume leisure activities, and increase their quality of life. With the proper training from BISM, blind seniors can avoid unnecessary placement in costly assistive living facilities.

BISM Senior Services provided the following in FY09:

- Life skills training for 342 blind and low vision senior citizens
- 11,292 hours of skills training through weekly center-based training programs and support group meetings (90 seniors per month average)
- 379 home teaching visits and 653 hours of home teaching instruction (30 seniors per month average)
- 784 hours of skills training through nine special events: one four-day residential training retreat in Baltimore and eight one-day community workshops in Baltimore, Baltimore City, Chestertown, Cumberland, Hagerstown, and Salisbury (72 seniors served)
- 1,954 hours of public outreach to 62 government agencies, private organizations, senior centers, hospitals, retirement communities, and senior fairs
- Quarterly Senior Services newsletters with a circulation of 200

Senior Services programs are funded in part by grants from the Department of Education/Division of Rehabilitation Services (DOE/DORS) and Rehabilitation Services Administration/DORS (RSA/DORS). BISM senior services are offered at no cost to senior citizens.

### **Youth Services**

In FY09, BISM did not offer Youth Services programs due to budget limitations. We are excited to announce the return of our youth programs with Independence 2010, a six-week residential life skills training program for blind and low vision high school students transitioning to college and/or employment. Independence 2010 takes place June 20-August 1, 2010.

# Blind Industries And Services Of Maryland

Financial Report  
June 30, 2009

**McGladrey & Pullen**  
Certified Public Accountants

## Contents

---

<b>Independent Auditor's Report</b>	1
<hr/>	
<b>Financial Statements</b>	
Statements Of Financial Position	2 – 3
Statements Of Activities	4 – 5
Statements Of Cash Flows	6
<b>Notes To Financial Statements</b>	7 – 16

---

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

To the Board of Directors  
Blind Industries and Services of Maryland  
Baltimore, Maryland

We have audited the accompanying statements of financial position of Blind Industries and Services of Maryland (BISM) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of BISM's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Blind Industries and Services of Maryland as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

Timonium, Maryland  
October 21, 2009

## Blind Industries And Services Of Maryland

### Statements Of Financial Position June 30, 2009 And 2008

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Current Assets		
Cash	\$ 830,286	\$ 189,864
Trade and other accounts receivable, less allowance for doubtful accounts (2009 – \$88,000; 2008 – \$89,000)	6,660,105	4,556,241
Inventories (Note 2)	7,463,488	5,308,615
Prepaid expenses and other assets	1,473,593	1,414,617
<b>Total current assets</b>	<b>16,427,472</b>	<b>11,469,337</b>
Investments (Notes 3, 4 And 10)	8,061,702	9,895,651
Property, Plant And Equipment (Notes 4 And 5)		
Land	2,377,590	2,377,590
Buildings and improvements	13,822,573	12,468,960
Machinery and equipment	4,501,627	5,477,467
Motor vehicles	775,708	669,364
Equipment under capital leases	864,625	212,991
Furniture and fixtures	492,488	491,872
	22,834,611	21,698,244
Less accumulated depreciation, including accumulated depreciation (2009 – \$230,919; 2008 – \$170,684) relating to equipment under capital leases	9,865,886	8,962,260
	12,968,725	12,735,984
<b>Total assets</b>	<b>\$ 37,457,899</b>	<b>\$ 34,100,972</b>

See Notes To Financial Statements.

<b>Liabilities And Net Assets</b>	<b>2009</b>	<b>2008</b>
Current Liabilities		
Current maturities of long-term debt (Note 4)	\$ 502,813	\$ 474,720
Liability under capital lease obligations (Note 5)	101,713	112,927
Accounts payable	8,541,721	6,670,048
Accrued expenses and other liabilities	1,757,710	1,017,865
<b>Total current liabilities</b>	<b>10,903,957</b>	<b>8,275,560</b>
Long-Term Debt (Note 4)	13,777,654	13,517,494
Interest Rate Swap (Note 4)	270,160	143,489
Liability Under Capital Lease Obligations, Non-Current Portion (Note 5)	507,461	15,801
Commitments (Notes 5, 6, And 7)		
Net Assets		
Unrestricted	11,971,667	12,121,628
Permanently restricted	27,000	27,000
<b>Total net assets</b>	<b>11,998,667</b>	<b>12,148,628</b>
<b>Total liabilities and net assets</b>	<b>\$ 37,457,899</b>	<b>\$ 34,100,972</b>

## Blind Industries And Services Of Maryland

### Statements Of Activities

Years Ended June 30, 2009 And 2008

	2009		
	Unrestricted	Permanently Restricted	Total
<b>Revenue:</b>			
Sales	\$ 77,961,709	\$ -	\$ 77,961,709
State of Maryland appropriations	601,129	-	601,129
Contributions and donations	74,530	-	74,530
Miscellaneous	348,838	-	348,838
	<u>78,986,206</u>	-	<u>78,986,206</u>
<b>Expenses (Notes 5 and 6):</b>			
Cost of sales, including commissions to National Industries for the Blind (2009 – \$557,499; 2008 – \$407,165)	71,402,137	-	71,402,137
Industries division	1,881,100	-	1,881,100
Rehabilitation and training	1,178,121	-	1,178,121
Fundraising	30,689	-	30,689
General and administrative	2,327,595	-	2,327,595
	<u>76,819,642</u>	-	<u>76,819,642</u>
<b>Excess of operating revenue over expenses</b>	2,166,564	-	2,166,564
<b>Other revenue and expenses:</b>			
Investment loss (Note 3)	(1,782,193)	-	(1,782,193)
Loss on interest rate swap contract	(126,671)	-	(126,671)
Interest expense (Notes 4 and 5)	(407,661)	-	(407,661)
	<u>(149,961)</u>	-	<u>(149,961)</u>
<b>Change in net assets</b>	(149,961)	-	(149,961)
<b>Net assets</b>			
Beginning of year	12,121,628	27,000	12,148,628
End of year	<u>\$ 11,971,667</u>	<u>\$ 27,000</u>	<u>\$ 11,998,667</u>

See Notes To Financial Statements.



2008

Unrestricted	Permanently Restricted	Total
\$ 71,758,761	\$ -	\$ 71,758,761
653,220	-	653,220
113,899	-	113,899
666,204	-	666,204
<u>73,192,084</u>	<u>-</u>	<u>73,192,084</u>
67,353,421	-	67,353,421
1,619,311	-	1,619,311
1,129,852	-	1,129,852
53,223	-	53,223
2,254,527	-	2,254,527
<u>72,410,334</u>	<u>-</u>	<u>72,410,334</u>
781,750	-	781,750
(36,685)	-	(36,685)
(175,019)	-	(175,019)
(579,023)	-	(579,023)
<u>(8,977)</u>	<u>-</u>	<u>(8,977)</u>
12,130,605	27,000	12,157,605
<u>\$ 12,121,628</u>	<u>\$ 27,000</u>	<u>\$ 12,148,628</u>

## Blind Industries And Services Of Maryland

### Statements Of Cash Flows Years Ended June 30, 2009 And 2008

	2009	2008
Cash Flows From Operating Activities		
Change in net assets	\$ (149,961)	\$ (8,977)
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	907,705	1,220,841
Decrease in allowance for doubtful accounts	(1,000)	-
Unrealized depreciation of investments	1,844,078	337,347
Realized losses (gains) on sales of investments	79,757	(58,483)
Gain on disposal of property, plant and equipment	-	(708,993)
Loss on interest rate swap contract	126,671	175,019
Changes in assets and liabilities:		
(Increase) decrease in:		
Trade and other accounts receivable	(2,102,864)	634,114
Inventories	(2,193,375)	345,504
Prepaid expenses and other assets	(58,976)	(43,151)
Increase (decrease) in:		
Accounts payable	1,910,175	(500,231)
Accrued expenses and other liabilities	739,845	(206,302)
<b>Net cash provided by operating activities</b>	<b>1,102,055</b>	<b>1,186,688</b>
Cash Flows From Investing Activities		
Proceeds from sales of investments	1,126,745	819,863
Proceeds from sale of property, plant and equipment	6,346	29,235
Purchases of investments	(1,216,631)	(1,003,767)
Purchases of property, plant and equipment	(727,339)	(498,058)
<b>Net cash used in investing activities</b>	<b>(810,879)</b>	<b>(652,727)</b>
Cash Flows From Financing Activities		
Proceeds from long-term debt	1,012,555	150,714
Principal payments on long-term debt	(492,121)	(523,395)
Principal payments on capital lease obligations	(171,188)	(126,484)
<b>Net cash provided by (used in) financing activities</b>	<b>349,246</b>	<b>(499,165)</b>
<b>Net increase in cash</b>	<b>640,422</b>	<b>34,796</b>
Cash		
Beginning of year	189,864	155,068
End of year	<b>\$ 830,286</b>	<b>\$ 189,864</b>

See Notes To Financial Statements.

## Blind Industries And Services Of Maryland

### Notes To Financial Statements

---

#### Note 1. Nature Of Activities And Significant Accounting Policies

Nature of activities: Blind Industries and Services of Maryland (BISM) is a public corporation created by Article 30 of the Annotated Code of Maryland for the purpose of training, rehabilitating, employing and furnishing services to the adult blind of the state of Maryland. BISM operates manufacturing facilities in Baltimore, Cumberland and Salisbury, Maryland. The facilities produce and package military uniforms, paper supplies, chemicals, and various other equipment. BISM also operates retail stores located primarily on military bases.

A summary of BISM's significant accounting policies is as follows:

Basis of accounting: BISM is on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of presentation: The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, BISM is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

*Unrestricted net assets* are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

*Temporarily restricted net assets* result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of BISM pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. Any temporarily restricted resource that is received and used during the same year is considered an unrestricted resource and is reported in the unrestricted net assets. There were no temporarily restricted net assets at June 30, 2009 and 2008.

*Permanently restricted net assets* result from contributions whose use is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by BISM's actions.

Trade receivables: Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. BISM uses the allowance method to determine uncollectible trade receivables. The allowance is based on prior years' experience and management's analysis of specific receivables. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. A trade receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 31 days. Interest is not charged on trade receivables that are outstanding for more than 60 days.

Inventories: Inventories are stated at the lower of cost or market. The moving weighted average cost method is used for Office Eagle store merchandise. Costs for all other inventories are determined by use of the first-in, first-out (FIFO) method.

## Blind Industries And Services Of Maryland

### Notes To Financial Statements

---

#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Investments: BISM is required to report investments in equity securities that have readily determinable fair values and all debt securities at fair value. Gains, losses and income are reported in the period earned and are shown as increases or decreases in unrestricted net assets, unless its use is temporarily or permanently restricted by explicit donor stipulation or law.

Investment risk and uncertainties: BISM invests in a professionally managed portfolio that contains common shares, bonds and convertible securities of publicly traded companies, U.S. Government obligations, and money market funds. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

Financial risk: BISM has funds on deposit with a financial institution in excess of federally insured amounts. BISM has not experienced any losses on cash accounts and believes it is not exposed to significant credit risk on cash.

Property, plant and equipment: Property, plant and equipment are recorded at cost or fair value if donated. Depreciation and amortization are provided over the estimated useful lives or lease terms, whichever is shorter, of the respective assets using the straight-line method. Amortization of equipment under capital leases is included in depreciation expense. Useful lives of property and equipment range as follows:

---

Building and improvements	20 – 40 years
Machinery and equipment	5 – 10 years
Motor vehicles	3 years
Furniture and fixtures	5 – 10 years

Valuation of long-lived assets: BISM accounts for the valuation of long-lived assets under SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Revenue recognition: BISM recognizes sales upon shipment of goods to customers for manufactured items. The retail operations of BISM recognize sales upon receipt of goods by the customer.

Donated assets: Donated assets are recorded at their fair value on the date of donation.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Blind Industries And Services Of Maryland

### Notes To Financial Statements

---

#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Income tax status: BISM is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and is not considered to be a private foundation. Income which is not related to exempt purposes, less applicable deductions, is subject to federal and state income taxes. BISM did not have any net unrelated business income for the years ended June 30, 2009 and 2008.

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above would be reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

As of June 30, 2009 and 2008, there were no material unrecognized/derecognized benefits or tax penalties or interest. With few exceptions, BISM is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years ending before June 30, 2005.

Interest rate swap agreement: BISM accounts for interest rate swap contracts in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. BISM uses interest rate swap contracts principally to manage the risk that changes in interest rates have on its floating rate long-term debt. The following is a summary of BISM's risk management strategy and the effect of this strategy on the financial statements.

Interest rate swap contracts are used to adjust a portion of total debt that is subject to variable interest rates. Under the interest rate swap contract, BISM agreed to pay an amount equal to a specified fixed rate of interest times a notional principal amount, and to receive in return an amount equal to a specified variable rate of interest times the same notional principal amount. No other cash payments are made unless the contract is terminated prior to maturity, in which case the amount paid or received in settlement is established by agreement at the time of termination, and usually represents the net present value, at current rates of interest, of the remaining obligations to exchange payments under the terms of the contract.

BISM's interest rate swap contract is considered to be a hedge against changes in the amount of future cash flows associated with BISM's interest payments under variable rate debt obligations. Accordingly, the interest rate swap contract is reflected at fair value in BISM's statements of financial position, and the related gain or loss on these contracts is recognized in the statements of activities. The effect of this accounting on BISM's operating results is that interest expense on the portion of variable rate debt being hedged is generally recorded based on fixed interest rates.

The fair value of interest rate swaps is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counter parties.

## Blind Industries And Services Of Maryland

### Notes To Financial Statements

---

#### Note 1. Nature Of Activities And Significant Accounting Policies (Continued)

Fair value of financial instruments: The carrying amounts of cash and cash equivalents, trade and other accounts receivable, accounts payable and accrued expenses approximate fair value because of the short maturity of these instruments. The carrying amount of long-term debt approximates fair value, because the interest rates on these instruments fluctuate with market interest rates offered to BISM for debt with similar terms and maturities.

Recent accounting pronouncements: In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. SFAS No. 157 provides guidance for using fair value to measure assets and liabilities. It also responds to investors' requests for expanded information about the extent to which organizations measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. SFAS No. 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value and does not expand the use of fair value in any new circumstances. The requirements of SFAS No. 157 are first effective for the fiscal year beginning July 1, 2008. However, in February 2008, the FASB decided that an entity need not apply this standard to nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis until the subsequent year. Accordingly, BISM's adoption of this standard on July 1, 2008, is limited to financial assets and liabilities, and any nonfinancial assets and liabilities recognized or disclosed at fair value on a recurring basis. BISM does not expect that the further adoption of SFAS No. 157 will have a material impact on its results of activities and financial position.

Reclassifications: Certain 2008 balances have been reclassified to conform to 2009 reporting. These reclassifications have no effect on the change in net assets previously reported.

#### Note 2. Inventories

Components of inventories at June 30, 2009 and 2008, are as follows:

	2009	2008
Raw materials	\$ 3,611,777	\$ 2,125,138
Work-in-process	462,927	127,236
Finished goods	1,346,923	1,378,871
Office Eagle Store merchandise	2,241,861	1,877,370
Reserves for obsolescence	(200,000)	(200,000)
	<u>\$ 7,463,488</u>	<u>\$ 5,308,615</u>

## Blind Industries And Services Of Maryland

### Notes To Financial Statements

#### Note 3. Investments And Funds Held By Trustee

Investments are carried at fair value. A summary of investments at June 30, 2009 and 2008, is as follows:

	2009		2008	
	Cost Or Donated Value	Fair Value	Cost Or Donated Value	Fair Value
Short-term investments and money market accounts	\$ 4,730,933	\$ 4,730,933	\$ 3,943,177	\$ 3,943,177
U.S. Government and agency obligations	466	481	600	627
Stocks and mutual funds	1,622,157	3,330,288	2,399,650	5,951,847
	<u>\$ 6,353,556</u>	<u>\$ 8,061,702</u>	<u>\$ 6,343,427</u>	<u>\$ 9,895,651</u>

Gross unrealized appreciation (depreciation) of investments at June 30, 2009 and 2008, are as follows:

	2009	2008
Gross unrealized appreciation	\$ 1,897,661	\$ 3,879,008
Gross unrealized depreciation	(189,515)	(326,784)
	<u>\$ 1,708,146</u>	<u>\$ 3,552,224</u>

Investment loss for the years ended June 30, 2009 and 2008, includes the following:

	2009	2008
Interest and dividends	\$ 141,642	\$ 242,179
Net realized (gains) losses on sales of investments	(79,757)	58,483
Net unrealized depreciation of investments	(1,844,078)	(337,347)
	<u>\$ (1,782,193)</u>	<u>\$ (36,685)</u>

During 2009, BISM recognized \$162,918 of other-than-temporary impairment losses on investment securities, mainly attributable to impairment charges on publicly-traded common stocks. The impairment charges for the publicly-traded common stocks were recognized in light of significant deterioration of BISM's performances.

## Blind Industries And Services Of Maryland

### Notes To Financial Statements

---

#### Note 4. Long-Term Debt And Interest Rate Swap Agreement

Long-term debt and related current maturities at June 30, 2009 and 2008, consist of the following:

	2009	2008
Revolving line of credit	\$ 5,118,457	\$ 5,161,122
Construction loan	869,270	-
Note payable – vendor	47,100	141,364
Bond payable	8,200,000	8,600,000
Term loans collateralized by motor vehicles and equipment with interest rates ranging from .00% to 7.5%; monthly payments ranging from \$339 to \$4,000; and maturity at various dates through 2013.	45,640	89,728
	<u>14,280,467</u>	<u>13,992,214</u>
Less current maturities	502,813	474,720
	<u>\$ 13,777,654</u>	<u>\$ 13,517,494</u>

Under the terms of a line of credit agreement with a bank, BISM is able to borrow up to a maximum of \$7,000,000 through November 29, 2009, with the then unpaid principal and interest due. On October 14, 2009, the line of credit was extended through November 28, 2010. Interest is payable monthly based on the London InterBank Offered Rate (LIBOR) plus 1.75%. Borrowings under this line of credit are collateralized by investments and are subject to certain financial covenants.

Under the terms of the construction loan with a bank, BISM is able to borrow up to a maximum of \$2,400,000 through October 31, 2009, for the construction of a building located on the Fort Knox Military Reservation. On November 1, 2009, the loan will convert into a promissory note, which will require monthly principal payments of \$10,000 plus accrued interest. The promissory note will bear interest at LIBOR plus 2.5%, with all unpaid principal and accrued interest due on October 31, 2016. The note is collateralized by the parcels of land located in Baltimore County, together with any and all improvements thereon.

In connection with this construction, BISM executed a 25-year lease with the Department of the Army for the land on which the building stands, which began on September 1, 2008. The lease is revocable at will by the Secretary of the Army. In such event, the lease provides for an equitable adjustment to be made in the investment in construction on the premises paid or to be paid by BISM under the terms of the lease.

The note payable, vendor includes borrowings of \$210,000, which is payable over 60 months in equal monthly installments of \$3,879, including interest at a rate of 4.125%, commencing in October 2006. In the event of default of payment, interest is due at the rate of 10%. During fiscal year 2009, BISM borrowed an additional \$184,000, which is payable over six months in equal monthly installments of \$3,407, which is interest free, commencing in February 2010 and then 54 months in equal monthly installments of \$3,522, including interest at a rate of 1.65%, commencing in August 2010. The borrowings under the note are collateralized by equipment.



## Blind Industries And Services Of Maryland

### Notes To Financial Statements

---

#### Note 4. Long-Term Debt And Interest Rate Swap Agreement (Continued)

In November 2004, BISM issued \$10,000,000 of Maryland Economic Development Corporation (MEDCO), Series 2003 variable rate bonds. The Series 2003 bonds were issued to finance the acquisition and renovation of BISM's facilities. The Series 2003 bonds were issued as fully registered bonds without coupons, are subject to mandatory and optional redemption and tender prior to maturity, and bear interest at the current Variable Weekly Rate as determined by the Remarketing Agent and as defined in the Indenture of Trust. The interest rate was 1.45% and 1.55% at June 30, 2009 and 2008, respectively. Principal installments on the bonds are due semi-annually beginning on May 1, 2005, and continuing through November 1, 2028. In addition, the Series 2003 bonds are subject to certain financial covenants.

Under the terms of the related Deed of Trust and Credit Agreement, BISM has granted to MEDCO and its trustee a security interest in parcels of land located in Baltimore County, together with any and all improvements thereon.

As security for repayment of principal and interest on the bonds, a bank, as trustee for MEDCO, issued an irrevocable letter of credit at a stated amount equal to the aggregate outstanding principal amount of the Series 2003 bonds at any time plus 35 days' interest calculated at 12% per annum. The letter of credit was issued for \$10,115,069 and expires on November 1, 2010. The balance on the letter of credit was \$8,294,357 and \$8,698,959 at June 30, 2009 and 2008, respectively.

Annual maturities of long-term debt at June 30, 2009, are due in future years as follows:

Years Ending June 30,	
2010	\$ 502,813
2011	5,655,773
2012	515,643
2013	445,741
2014	441,834
Thereafter	6,718,663
	<u>\$ 14,280,467</u>

On May 1, 2005, BISM entered into an interest rate swap agreement with a commercial bank related to its issuance of the Series 2003 variable rate bond with a notional amount of \$4,100,000 at June 30, 2009. This cash flow hedge changes the variable rate interest on a portion of the balance of BISM's bond payable to fixed-rate interest. Under the terms of the swap, which expires in November 2028, BISM pays monthly a fixed annual interest rate of 3.97%. BISM receives monthly the variable interest rate of the USD-BMA Municipal Swap Index, based on a monthly average, on the interest rate swap. During fiscal years 2009 and 2008, BISM recognized a net loss of \$126,671 and \$175,019, respectively, relating to this hedging instrument.

## Blind Industries And Services Of Maryland

### Notes To Financial Statements

---

#### Note 5. Capital Lease Obligations

BISM leases equipment for which the minimum lease rentals have been capitalized using the rates implicit in the leases. The leases expire at various dates through 2014. Future minimum lease payments under the capital leases as of June 30, 2009, are as follows:

Years Ending June 30,	
2010	\$ 101,713
2011	146,062
2012	129,058
2013	134,558
2014	115,768
<b>Total minimum lease payments</b>	<b>627,159</b>
Less the amount representing interest	17,985
<b>Present value of minimum lease payments</b>	<b>\$ 609,174</b>
Current portion	\$ 101,713
Non-current portion	507,461
	<b>\$ 609,174</b>

Interest expense attributable to capital leases was \$19,283 and \$22,432 for the years ended June 30, 2009 and 2008, respectively.

Rent expense for the years ended June 30, 2009 and 2008, was \$122,338 and \$224,066, respectively.

#### Note 6. Pension Plans

BISM has established a Section 403(b) defined contribution annuity plan (the Plan), under which employees are eligible to participate in a salary deferral program. To receive employer contributions, an employee must complete six months of service. BISM's matching contributions to the Plan are discretionary and limited up to 15% of each employee's compensation. Employees hired before December 31, 1995, are immediately vested in the Plan. Employees hired after December 31, 1995, become 25% vested after two years of service and an additional 25% for each subsequent year of service, until fully vested after five years of service. BISM has the right to terminate the Plan at any time. Employer cash contributions to the Plan were \$252,951 and \$235,759 for the years ended June 30, 2009 and 2008, respectively. Expenses under the Plan were \$260,589 and \$22,770 for the years ended June 30, 2009 and 2008, respectively.

#### Note 7. Commitments And Related Party Transactions

BISM executed a \$2,033,789 contract with a general contractor for the construction of a building located on the Fort Knox Military Reservation. At June 30, 2009, BISM had incurred \$742,464 of construction costs related to this contract. Construction is expected to be completed in October 2009.

BISM has an agreement with the National Industries for the Blind (NIB), under which NIB acts as a sales agent for BISM to obtain government contracts under the Javits-Wagner-O'Day (JWOD) Program. BISM pays commissions of approximately 4% to NIB on JWOD sales. JWOD sales totaled \$14,897,830 and \$10,906,237 for the years ended June 30, 2009 and 2008, respectively.

## Blind Industries And Services Of Maryland

### Notes To Financial Statements

---

#### Note 8. Major Customers

Approximately 37% of revenue was derived from sales to two unrelated organizations for the years ended June 30, 2009 and 2008. Accounts receivable due from these organizations totaled \$2,716,511 and \$1,724,071 at June 30, 2009 and 2008, respectively.

#### Note 9. Major Vendors

Transactions with a single vendor accounted for approximately 7% and 11% of purchases in 2009 and 2008, respectively. Accounts payable to this vendor was \$540,301 and \$1,417,214 as of June 30, 2009 and 2008, respectively.

#### Note 10. Fair Value Measurement

During the year ended June 30, 2009, BISM adopted SFAS No. 157, *Fair Value Measurements*, and there was no material impact on the financial statements. SFAS No. 157 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. SFAS No. 157 applies to all assets and liabilities that are being measured and reported on a fair value basis. SFAS No. 157 requires new disclosure that establishes a framework for measuring fair value in GAAP and expands disclosure about fair value measurements. SFAS No. 157 enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at their fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable inputs that are not corroborated by market data

In determining the appropriate levels, BISM performs a detailed analysis of the assets and liabilities that are subject to SFAS No. 157. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets held by BISM at June 30, 2009.

	Total	Level 1	Level 2	Level 3
Government securities	\$ 481	\$ -	\$ 481	\$ -
Common stocks	3,329,352	3,329,352	-	-
Mutual funds	936	936	-	-
Interest rate swap contract	(270,160)	-	(270,160)	-
	<u>\$ 3,060,609</u>	<u>\$ 3,330,288</u>	<u>\$ (269,679)</u>	<u>\$ -</u>

## Blind Industries And Services Of Maryland

### Notes To Financial Statements

---

#### Note 10. Fair Value Measurement (Continued)

SFAS No. 157 excludes cash and cash equivalents from the fair value hierarchy, as cash is generally measured at cost. As such, \$4,730,933 of money market funds held in BISM's investment portfolio at June 30, 2009, has been excluded from this table.

BISM's interest rate swap is observable at commonly quoted intervals for the full term of the swap and therefore, is considered a Level 2 item. For the interest rate swaps in an asset position, the credit standing of the counter party is analyzed and factored into the fair value measurement of the asset. SFAS No. 157 states that the fair value measurement of a liability must reflect the nonperformance risk of the entity. Therefore, the impact of BISM's credit worthiness has also been factored into the fair value measurement for the interest rate swap in a liability position.

#### Note 11. Supplemental Cash Flow Information

Supplemental Disclosure Of Cash Flow Information	2009	2008
Cash payments for interest	\$ 389,113	\$ 630,446
Amount payable to BISM as a result of the vending asset sale as of June 30, 2008, included in prepaid expenses and other assets	\$ -	\$ 1,226,146
Noncash Financing And Investing Activities		
Equipment purchased under capital lease arrangements	\$ 651,634	\$ -