



Blind Industries and Services of Maryland

**Governor's Annual Report
FY 2024
(7/1/23-6/30/24)**

**Report Required by:
Human Services Article § 7-703(h)(6)
MSAR # 6071**

**Blind Industries and Services
of Maryland
3345 Washington Boulevard
Baltimore, Maryland 21227
(410) 737-2600
www.bism.org**

**Joint Message from Chair of the Board, Tyrone D. Bullock,
Sr., and President, Dr. Michael Gosse**

Joint Message from Chair of the Board, Tyrone D. Bullock, Sr., and President, Dr. Michael Gosse.

Blind Industries and Services of Maryland ("BISM") is honored to present its Annual Report for the Fiscal Year beginning on July 1, 2023 and ending on June 30, 2024. This Report includes information related to BISM's manufacturing operations, facilities, employment, human resources, development and independence training 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 Fiscal Year 2024 Annual Report is presented to The Honorable Governor Wes Moore, the General Assembly, and Senator Clarence K. Lam and Delegate Jared Solomon, Co-Chairs of the Joint Audit Committee.

Over the course of FY24, the Board of Trustees and BISM's senior leadership continued to focus on and address the business of BISM, the vocational and training needs of our Associates, the provision of training services and programming and the analysis of BISM's opportunities and needs.

BISM's FY24 financial results reflect the second consecutive year of progress and stability for the organization. During FY24, BISM's leadership continued to identify and address certain areas of its businesses, manufacturing and industry which were either financially unsuccessful, operationally inefficient or which did not properly align with BISM's Mission and Vision. FY24 reflected changes which were implemented and the overall benefits derived as a result. BISM's sale of its Raleigh facility in FY24 (and the leaseback of a smaller footprint and modified space) will result in decreased overhead and increased efficiencies for that manufacturing plant.

BISM also recently completed a three (3) year Strategic Plan which, among other things, addresses BISM's plans to: (1) expand the geographic presence of its Independence Training and Rehabilitation (ITR) programming and outreach to unserved blind communities; (2) search for new, diverse and/or collateral business opportunities; and (3) develop and implement a system to measure and report partner, customer, and Associate satisfaction. BISM has also focused on installing a new, blind accessible, accounting and manufacturing software solution throughout the organization which will allow for the creation of additional product sales and customer service opportunities. In FY25, BISM also intends to focus on expanding and making more efficient its e-commerce opportunities throughout the United States Federal procurement system and identifying new manufacturing and product lines which will be both Mission worthy and financially sound.

Of course, BISM continues to deal with general economic issues such as inflation, shortages of necessary materials, challenges in hiring and retaining its employment force, a continuing trend of lower customer demand in certain areas, funding issues within the Federal government and Budget shortfalls within the State government.

BISM's FY25 budgeted sales are \$88 million with a resulting projected business income of \$5.5 million.

BISM is projecting Income before Other Revenue and Expenses of \$249,000 and EBITDA of \$1.6 million.

BISM has also worked to expand its participation in the Maryland Preferred Provider program and has continued to work with the Maryland Department of General Services, the Preferred Provider Pricing and Selection Committee, and various procurement officers. BISM, in conjunction with its Preferred Provider partner Maryland Works, has conducted outreach programs to inform and educate the procurement officers of State and State related entities of the applicable laws and requirements of the preferred provider program. Special appreciation to Secretary of the Department of General Services, Atif Chaudhry, and his staff for their time and energy in working with BISM on these issues. While there is still work to do, BISM is optimistic and looking forward to making more progress.

Separate and apart from BISM's vocational mission of proving vocational opportunities and training, BISM's ITR Department continues to provide excellent training and programing for blind and low vision individuals in the State. BISM is fully aware that there are unmet needs within the blind community in Maryland and is working to find ways to expand outreach and provide services and programming to a greater number of these individuals. These programs, as noted in this Report, BISM is in need of State assistance to better serve Maryland's blind residents and ensure that no one in our constituency is left behind.

On behalf of BISM's Board of Trustees, Leadership Staff, and our Associates, we extend our genuine appreciation to Governor Moore and the Maryland General Assembly for your continued support.

Sincerely,



Tyrone D. Bullock, Sr.
Chairman, Board of Trustees



Michael Gosse, Ph.D.
President

BISM Board of Trustees and Leadership Staff

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Introduction: 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 opportunities, vocational training and comprehensive rehabilitation programs and services for blind and low vision Marylanders of all ages.

BISM is the largest employer of blind individuals in the State of Maryland and, as of June 30, 2024, employs 484 Associates. BISM maintains and operates manufacturing facilities in Baltimore, Salisbury (2) and Raleigh, North Carolina. BISM also operates eight (8) AbilityOne Base Supply Centers on federal and/or military installations.

BISM manufactures various products at competitive prices for sale to its State of Maryland customers including office paper pads; copy paper; paper towels; toilet tissue; janitorial/sanitation supplies, such as soaps and disinfecting chemicals; and repackaging and assembly services ("kitting"). A significant portion of BISM's business operation is BISM's production of cut and sewn textile products for the federal government, including uniforms and other garments for many branches of the United States military.

BISM offers its workforce competitive wages, health and life insurance benefits, and retirement benefits. We are constantly striving to improve our training and accessibility to allow for the professional, vocational, and personal growth of all of our Associates – blind and sighted. Our organization is built on the belief that all of our Associates play an integral part in our overall success. BISM has an uncompromising belief in the capabilities of people who are blind.

BISM's Independence Training and Rehabilitation ("ITR") Department provides comprehensive independence and skills training for adults, seniors, and youth. Our staff, most of whom are blind, teach Braille, Computer Technology, Independent Living, Orientation and Mobility, Job Readiness, and Woodshop in a classroom setting, and offers adjustment to blindness seminars, confidence-building group activities, home teaching, and workshops. Successful students leave BISM with the skills to enter the workforce and pursue a career, attend college, manage an active family, and contribute to the community. BISM offers these high-quality training programs and services free of charge to blind and low vision Maryland residents. BISM works closely with Maryland state agencies, specifically the Department of Rehabilitative Services, and elected representatives to ensure that our ITR Department continues to effectively provide crucial services to the blind and low vision community.

The ITR Department is funded by a combination of: (a) a State Grant (through the Department of Education); (b) fee for service work conducted by our Associates; and (c) funds generated by BISM's manufacturing and sales operations. Unfortunately, as the needs of our blind and low vision continue to increase and BISM's margins from manufacturing continue to shrink, the State has not approved any significant additional funding for this crucial programming. While BISM desires to expand the reach of these services and programming, it will need additional State assistance to properly serve the needs of the blind and low vision community.

Detailed Status of BISM – Fiscal Year 2024

(July 1, 2023 – June 30, 2024)

Independence Training and Rehabilitation

The mission of BISM's Independence Training and 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. BISM's training facilities are among the best in the nation and the only provider of such services in the State. The programs are successful because our dedicated team of instructors – most of whom are blind - serve as teachers, mentors, role models, and friends to the students.

In FY24, BISM's Independence Training and Rehabilitation ("ITR") department was active in the blind community providing services across the State of Maryland. In addition to BISM's exceptional Adult and Senior programs, this past fiscal year saw BISM expand our Youth programming and start a new Internship program focused on Job training and Career exploration.

As a byproduct of the COVID-19 pandemic, where appropriate, BISM continued to utilize virtual instruction. This tool allows BISM to effectively reach Marylanders who may have health concerns, transportation issues, or other responsibilities.

BISM staff is fully prepared to offer resources and instruction to members of Maryland's blind community and those who provide services in the blindness field. This past year BISM found success at our training areas, in consumer homes, workplaces, community events, and virtually.

BISM also continued our revolutionary training program, WRAP (Work Readiness Assessment Program). This program worked one-on-one with eight (8) blind Maryland consumers who have been in the job market for an extended period. We work with these consumers for 80 hours, assessing their skillsets, conducting interviews, working on applications, resumes, and job search methods. At the conclusion of the 80 hours, BISM prepares a report with recommendations for areas of improvement to DORS. We also continue to follow up with consumers on a weekly then monthly basis to monitor their progress. This program directly led to two (2) blind Marylanders finding employment.

Of the thirty-two (32) Marylanders who were part of the BISM ITR department during FY24, twenty-five (25) are blind (including five (5) Supervisor positions). The capabilities of BISM staff, coupled with investment from both the State of Maryland and BISM led directly to increased instruction hours and students completing BISM training programs during FY24.

The total time of instruction provided in FY24 was 61,065 hours and was focused on 1,320 individuals.

Instruction and training hours were broken down and provided to adults (34,294 hours), seniors (14,055 hours), youth (6,960 hours), and customized programming (5,756 hours).

The above instruction hours also include support groups, home visits, job development, job coaching, instruction to blind Marylanders incarcerated in Maryland State Prisons, and community workshops.

Throughout FY24, there were 205 referrals to all BISM blindness skills training programs and 96 people fully completed BISM training programs.

The youth division served 250 Elementary, Middle, and High school students and staff through a variety of summer programs, school year programming, and multiple on-site workshops.

BISM's ITR Department also designed and implemented a new residential internship program. Under the mentorship of Blind professionals, BISM will custom design a three-month program to assist blind professionals gain experience in a field(s) of their interest. This experience will come through a 40-hour work week and job responsibilities. Each year BISM will take on 4 -8 interns and assign them a primary department and secondary department to gain valuable workplace experience. FY24 saw the first two interns under this program employed in Human Resources and in BISM's Senior ITR program as their primary position with experience also gained in working with BISM Youth programs.

All the above efforts resulted in seventeen (17) blind Marylanders finding employment.

BISM's rehabilitation training programs and services are offered at no cost to adults and seniors who are Maryland residents. A percentage of the adult CORE and senior services programs are funded by a State Grant authorized by the Governor and overseen by Department of Rehabilitative Services (DORS). BISM funds the balance of ITR's programming costs from BISM's operating funds.

A. Comprehensive Orientation, Rehabilitation, and Empowerment (CORE) Adult Program.

The CORE program teaches blind and low vision adults the skills of blindness so they can become employed, pursue post-secondary education, and regain control of their lives. Confidence building is an essential element of the program and is reinforced with each accomplishment. CORE students are taught by blind instructors and learn non-visual methods, both inside and outside of a classroom setting. The curriculum includes braille, long white cane travel, independent living, assistive computer technology, job readiness, woodshop, physical fitness, adjustment to blindness seminars, and off-site training. The CORE program generally requires eight to eleven 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 an apartment building in downtown Baltimore City. They have easy access to every mode of public transportation offered in Baltimore and are housed two blocks from the Camden Yards/Inner Harbor area. This enhances the student's ability to master public transportation, build their confidence, and further develop their travel skills during practical applications. With two certified Orientation and Mobility instructors, the BISM CORE program is now a premier destination for those seeking cane travel instruction. Another benefit to apartment living is that the students are responsible for shopping,

meal preparation, cleaning, and money management. All are essential skills of independence and career/personal development.

Students also organize and participate in community outreach, BISM fundraisers, and group activities. This past year, CORE students participated in trips to numerous restaurants, events, and outings in downtown Baltimore and its surrounding area to apply skills acquired at BISM in real world settings.

In FY24, seven (7) students successfully graduated or completed the CORE program. Additionally, the CORE assisted seventeen (17) program alumni find new employment.

B. Senior Services.

BISM Senior Services programs are devoted to helping Maryland seniors who are coping with vision loss. BISM provides training, services, and resources at BISM training centers in Baltimore, Hagerstown, Salisbury, and throughout the State of Maryland in students' homes. Programs for low vision and blind senior citizens are provided at no charge, which is a critically important factor for those seniors living on low or fixed incomes. The goal of all BISM Senior Services programs is to empower blind and low vision senior citizens with the skills and confidence necessary to live independently. Senior program participants become better equipped to manage their daily needs, remain in their own homes, return to work or volunteering, resume social activities, and enjoy life.

BISM Senior Programs include:

1. Seniors Achieving Independent Living (SAIL) - weekly training classes occurring in Cumberland, Hagerstown, Baltimore, and Salisbury. The SAIL curriculum includes classes in braille, cane travel, independent home living (with heavy emphasis on safe, nutritious cooking), computer and assistive technology, adjustment to vision loss, gardening, and leisure activities, plus peer support, confidence-building outings and community integration. Students work towards personal goals for independence with training tailored to each person's real-life situation.

2. Senior Support Groups – occurring monthly across the State of Maryland in Hagerstown, Baltimore, Easton, and Salisbury. Our support groups were active in FY24 organizing social events and bringing together blind seniors for activities, mentorship, and camaraderie. Throughout the year, seniors experienced all that Maryland has to offer by visiting local shopping venues, historical sites, and performing arts programs. Seniors made crafts and shared talents while engaging in thought-provoking discussions. The goal of helping seniors adjust to vision loss and develop a positive outlook while maintaining independence is always in the forefront.

3. Home Instruction - Statewide: Life skills instruction for blind seniors in the comfort of their own home. Staff members share resources, mark appliances, provide materials, and help families. Our home instruction services helped BISM provide blindness skills training to every county in the State of Maryland.

In FY24, BISM provided 14,055 hours of training to seniors throughout the State of Maryland, and 268 blind and low vision senior citizens received blindness skills training. We provided 112

facility tours for those interested in attending BISM training plus many additional tours for families, supporters, counselors, professionals, and large groups. These tours are the cornerstone of our training as they show in real-time the skills and work required to become an independent blind senior citizen in Maryland.

Outreach, events, and presentations by BISM staff continue to accent the services BISM can provide. In FY24, senior staff reached out with information to over 800 providers and community associations. This includes senior centers, assistive living and retirement communities, civic organizations, schools, helping agencies, community business groups, neighborhoods, and low vision support groups. This network of providers serves countless Marylanders, increasing the knowledge BISM services and capabilities statewide.

C. Youth Services.

This past summer, BISM offered the newly created GOLDSTAR program. This 4-week, fully residential program aids eighteen (18) blind and low vision students and staff with a 4-week Work-Based Learning Experience. BISM will develop a customized employment and training plan that builds on students' success in the BISM STAR (Students Training in Advocacy and Responsibility) program, student mentoring program(s), and individual educational experiences. At the completion of this program, students will walk away with 30 – 90 hours of employment experience, a comprehensive and current professional resume, two recorded job interviews, three professional references, and customized blindness skills training.

BISM also partnered with the Maryland Chapter of the National Federation of the Blind (NFB) to run the Bell Academy Eastern Shore. A custom designed one (1) week braille academy for elementary and middle school aged students on the Eastern Shore of Maryland. This program coupled with our newly created BISM Overnight Challenge Week provided services to seventeen (17) youth on the Eastern shore of Maryland. In addition to utilizing BISM's Salisbury Training center, BISM partnered with Camp Pecometh and Talisman Therapeutic Riding of the Eastern Shore.

BISM continues to offer a full academic year of workshops under the Gaining Leadership, Independence, Direction and Experience (GLIDE) program, geared to assist blind and low vision high school students with life and job skills as they grow into young adults. The monthly program had 28 participants and took place at BISM Baltimore from September 2023 to May 2024. The GLIDE program featured workshops on independent living skills, work readiness, advocacy, career exploration, communication, and more.

State Sales - Preferred Provider Program

BISM's Sales and Marketing team dedicates itself to offering high quality products at competitive prices and top-notch customer service to State of Maryland agencies, State-supported and/or controlled entities, and commercial entities. When State of Maryland customers purchase from BISM, they are helping to provide employment opportunities for blind and low vision Marylanders. BISM's product offerings include paper pads, 30% and 50% recycled content copy paper, hand soaps, sanitizers, a full line of janitorial chemicals, floor

care products, trash can liners, toilet paper and tissue, paper towels, warewashing chemicals, and personal care products.

FY24 marked a year where BISM's sales to our State of Maryland customers improved significantly over FY23. BISM's focus for FY24 was to expand and educate more of our customers on the purpose of our mission, improve quality and service to our customers, and ensure lateral and upward mobility for our associates. This, in turn, helped BISM improve sales year-on-year while providing more meaningful vocational training and employment opportunities for blind/low vision individuals.

BISM is a participant in the Preferred Provider program which, under State law, requires the State and State aided or controlled entities to purchase products which are provided by BISM. Specifically, State Finance and Procurement Article, Section 14-101, et seq. provides that, with regard to a State Agency, a "State Aided" or a "State Controlled" entity, BISM is a "Preferred Provider" for all products and services it provides.

In FY24, BISM, in partnership with Maryland preferred provider, Maryland Works, placed an emphasis on meeting with State officials to further educate on our partnership with the State of Maryland. In particular, BISM participated in several meetings with the Secretary's office within the Maryland Department of General Services as well as many important Maryland State Agency stakeholders. BISM once again participated in the 2024 State Procurement Advisory Group (SPAG) meeting where we used the opportunity to introduce our new and improved 50% copy paper. Additionally, BISM attended several events throughout the year that provided opportunities to connect with State officials. Our continued presence and involvement with State Officials and Government have been an important component in connecting BISM and the State Preferred Provider program to the State of Maryland Procurement process.

With the continued support from State Government and the State Procurement team, BISM aims to strengthen our ability to fund our core mission of empowering blind/visually impaired individuals. Our goal in working very closely with State Government, The Department of General Services and the preferred provider partners is to: (1) educate on the purpose of State procurement preference and the overall social bargain made between the State and BISM; and (2) educate new procurement officers through training to ensure compliance of the statute.

Federal Contracts – AbilityOne Program

BISM's manufacturing Associates consistently exhibit the dedication and craftsmanship that helps us meet the needs of an ever-changing marketplace, without sacrificing the quality of our cut and sewn products. We cut and sew uniforms for all branches of the U.S. military.

FY24 sales remained on par with FY23 as current sewn uniform programs have continued with slight growth in demand and the Air Force/Space Force program transitioned from start-up to production levels. All four manufacturing facilities were able to meet DLA Troop Support uniform demands as well as Federal Prison Industries orders for cut products.

All sites continued to develop innovative strategies to recruit, train and retain a consistent labor

workforce in our factories. The challenges remain in the labor market, but we have certainly improved over FY23, finding limited success at all levels of the organization.

In general, the supply chain challenges post-Covid have markedly improved. BISM has had success increasing the breadth of our supplier base and there is more competition in the marketplace for fabric and components. Product lead times, quality and responsiveness show a positive trend as our partners shake off the challenges of the recent years.

Demand for the Army Physical Fitness Uniform Jacket (APFU), Extended Cold Weather Clothing System Jacket (ECWCS) for the federal government increased in FY24. Demand for Army Combat Coat (ACU) held steady in FY24, projected to increase mid-FY25. The Airforce/Space Force Physical Training Gear (PTG) began its pre-production ramp up in FY2024, becoming the second largest production volume program in the BISM portfolio.

Beginning in January, 2024, BISM consolidated its cut/sew operation into roughly 50% of its original space through a lease. The move was made to increase floor space utilization, improve productivity and overhead absorption.

AbilityOne Base Supply Centers

BISM owns and operates eight (8) AbilityOne Base Supply Centers (BSC) on federal military installations in Maryland, Delaware, District of Columbia, and Kentucky. The AbilityOne program is a Federal program intended to support and empower blind and low vision individuals by creating vocational opportunities. The BSC retail model is a true one-stop shopping solution for military bases and other government facilities by offering on site and ecommerce office supplies and furniture, cleaning products, tools, and military uniforms.

More than one-third (1/3) of all BSC retail Associates are blind or low vision. These Associates play a pivotal role in all aspects of the operations. The BSC program is innovative in providing blind accessible technology tools for our blind and low vision Associates and, thus, allowing them to operate to their full capacity. These tools include a computer magnification program known as ZoomText, CCTVs, wireless handheld talking scanners, and “talking” Point of Sale registers.

Overall, sales for our BSC’s in FY24 exceeded our Budget expectations. During FY24, we combined the BSC shopping experience with our eCommerce portal, ShopBISM.com. We continue to note the trend among our federal customers who prefer working virtually rather than on base and in office. Our emphasis and growing support of online options is necessary for BISM to stay current with the needs/wants of our customers. In FY25, we plan to convert our current eCommerce and Point of Sale systems into a single, blind accessible, platform to better enhance the shopping experience for our customers and the opportunities for Associates.

Human Resources

BISM's Human Resources Department is committed to the continued employment and growth of blind and visually impaired Associates in our administrative, manufacturing and retail facilities.

In FY 2024, BISM continued to meet employment hiring and retention challenges associated with market-wide changes in employee availability - both for blind and sighted Associates. BISM has found it increasingly difficult to find and retain employees at all job and pay levels and these difficulties have adversely impacted BISM's ability to efficiently meet its mission goals.

BISM continues to increase its focus on internal identification of quality employees and dedicating training and skills development to them to ensure the improvement of our workforce and to encourage upward vocational opportunities. As a result, BISM saw a significant increase in the number of internal promotions of blind/low vision employees across the spectrum - from entry-level manufacturing positions to multiple roles including, but not limited to, production, leadership, and administrative support roles.

BISM remains dedicated to upward mobility, mentoring, and recruitment of blind individuals into leadership roles. We are actively looking within our organization as well as nationwide to identify blind people who hold the potential skillsets to lead BISM into the future. Our focus is to remain safe, provide a safe workspace, and provide ongoing support to our Associates who are braving the world to come into work and produce products for our customers.

Development

With the understanding that BISM's Independence Training and Rehabilitation ("ITR") Department is underfunded and the its businesses would not be able to sustain the costs of ITR on a long range basis, BISM's Development Department is responsible for pursuing alternative funding solutions to maintain the critical programming and services offered to our blind and visually impaired clientele. self-reliance and independence.

Beginning in 2022, BISM recommitted its efforts to establish and grow a successful development and fundraising department to offset the expenses associated with BISM's Independence Training and Rehabilitation ("ITR") Department.

While the ITR Department receives a grant from the Maryland State Department of Education each year, this grant is focused on partially supporting ITR's CORE programming and has remained relatively flat despite the rising costs of providing this programming. As previously outlined in the ITR section of this Annual Report, BISM firmly believes it should be the responsibility of the State to fully fund the various free independence training programs and services BISM provides to Maryland residents. In the absence of such funding, however, BISM has determined to maintain the ITR budget and subsidize it through income from other BISM business activities. We recognize that this approach is not sustainable in the long term.

In the absence of State funding, BISM continues to pursue responsible funding solutions to maintain the critical programming and services offered to our blind and visually impaired clientele. In fact, BISM is determined to grow the ITR Department and geographically expand its ability to provide services. Under the leadership of the BISM's Director of Development, BISM has expanded its fundraising efforts through annual donor campaigns, grant applications, partnerships with community organizations, and third-party support. Additionally, BISM hosted several events, including a successful golf tournament fundraiser, and introduced a new Spring event this year to increase public exposure and engagement with the general community.

The increased outreach efforts are yielding positive results, with more donations and grants coming in. Each year, our goal is to raise more funds to ensure the long-term sustainability and full funding of the ITR department. We recognize the challenges of fundraising for an organization that blends business-based vocational training with nonprofit programming. However, the uniqueness of BISM's ITR services—which are not offered anywhere else in Maryland—continues to inspire support from donors, community partners, and Grantmakers.

We remain committed to building upon these successes, growing our development program, and meeting our long-term goals to fully fund the ITR department through diverse, sustainable fundraising strategies.

Summary

Blind Industries and Services of Maryland continues to be the largest employer of blind and low vision adults in the State of Maryland. Our internationally recognized Independence Training and Rehabilitation programs and services develop the life skills that help blind people of all ages be more independent and successful in all elements of their lives.

We appreciate the support from the Governor's Office, the Maryland Legislature, and State agencies, and we look forward to creating more opportunities for blind Marylanders in the future.

Blind Industries and Services of Maryland

Financial Report
June 30, 2024

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Blind Industries and Services of Maryland

Opinion

We have audited the financial statements of Blind Industries and Services of Maryland (the Company), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2024 and 2023, 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 (U.S. GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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In performing an audit in accordance with GAAS, we:

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

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

RSM US LLP

Baltimore, Maryland
October 24, 2024

Blind Industries and Services of Maryland

Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Cash	\$ 4,060,406	\$ 971,514
Restricted cash	1,686,442	979,584
Trade and other accounts receivable, less allowance for credit losses (2024—\$161,216; 2023—\$191,581) (Notes 6 and 7)	3,930,896	5,793,135
Inventories, net (Note 2)	13,158,143	11,481,073
Prepaid expenses and other assets	369,403	266,156
Total current assets	23,205,290	19,491,462
Property, plant and equipment (Notes 3 and 4):		
Land	2,352,049	3,280,098
Buildings and improvements	15,656,714	22,760,378
Machinery and equipment	10,338,215	10,022,779
Vehicles	829,150	584,847
Furniture and fixtures	558,997	566,277
	29,735,125	37,214,379
Less accumulated depreciation and amortization	18,837,585	20,944,011
	10,897,540	16,270,368
Right of use assets—finance leases, net (Note 4)	50,455	174,135
Right of use asset—operating lease, net (Note 4)	3,274,881	-
Total assets	\$ 37,428,166	\$ 35,935,965

See notes to financial statements.

	2024	2023
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt (Note 3)	\$ 273,714	\$ 476,991
Current finance lease liabilities (Note 4)	25,497	115,345
Current operating lease liability (Note 4)	524,772	-
Accounts payable (Note 8)	6,698,647	8,601,311
Accrued expenses and other liabilities	2,235,410	1,910,727
Total current liabilities	9,758,040	11,104,374
Long-term debt (Note 3)	7,931,827	13,906,877
Finance lease liabilities, net of current portion (Note 4)	26,497	61,124
Operating lease liability, net of current portion (Note 4)	2,750,109	-
Total liabilities	20,466,473	25,072,375
Commitments (Notes 5 and 6)		
Net assets:		
Without donor restrictions	16,961,693	10,863,590
Total net assets	16,961,693	10,863,590
Total liabilities and net assets	\$ 37,428,166	\$ 35,935,965

Blind Industries and Services of Maryland

Statements of Activities

Years Ended June 30, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Sales (Notes 6 and 7)	\$ 86,167,380	\$ -	\$ 86,167,380
State of Maryland appropriations	600,000	-	600,000
Contributions and grants	153,415	-	153,415
Miscellaneous	580,805	-	580,805
	<u>87,501,600</u>	<u>-</u>	<u>87,501,600</u>
Expenses (Notes 3, 4, 5, 6 and 8):			
Program	82,690,067	-	82,690,067
General and administrative	3,857,978	-	3,857,978
Fundraising and development	323,818	-	323,818
	<u>86,871,863</u>	<u>-</u>	<u>86,871,863</u>
Gain on sale of property, plant and equipment	<u>5,351,188</u>	<u>-</u>	<u>5,351,188</u>
Operating income (loss)	5,980,925	-	5,980,925
Other revenue and expenses:			
Interest income	<u>117,178</u>	<u>-</u>	<u>117,178</u>
Change in net assets	6,098,103	-	6,098,103
Net assets:			
Beginning	<u>10,863,590</u>	<u>-</u>	<u>10,863,590</u>
Ending	<u>\$ 16,961,693</u>	<u>\$ -</u>	<u>\$ 16,961,693</u>

See notes to financial statements.

2023		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 84,080,704	\$ -	\$ 84,080,704
600,000	-	600,000
100,106	-	100,106
442,114	-	442,114
85,222,924	-	85,222,924
82,912,637	-	82,912,637
3,595,286	-	3,595,286
286,098	-	286,098
86,794,021	-	86,794,021
176,728	-	176,728
(1,394,369)	-	(1,394,369)
8,923	-	8,923
(1,385,446)	-	(1,385,446)
12,249,036	-	12,249,036
\$ 10,863,590	\$ -	\$ 10,863,590

Blind Industries and Services of Maryland

Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

	2024			
	Program	General and Administrative	Fundraising and Development	Total
Advertising and promotion	\$ 6,936	\$ 20,903	\$ 23,234	\$ 51,073
Commissions	1,060,534	-	-	1,060,534
Credit card fees	642,161	-	-	642,161
Depreciation and amortization	845,955	234,958	-	1,080,913
Financing fees (Note 3)	3,885	-	-	3,885
Freight out	1,090,929	-	-	1,090,929
Information technology	38,770	107,328	41,177	187,275
Insurance	562,947	90,948	5,233	659,128
Interest expense (Notes 3 and 4)	228,564	352,751	-	581,315
Lobbying fees	-	40,000	-	40,000
Materials and product costs	57,752,982	-	-	57,752,982
Office expenses	75,593	120,303	24,893	220,789
Other expenses	284,687	1,500	7,188	293,375
Payroll taxes and benefits (Note 5)	3,578,941	644,803	52,218	4,275,962
Professional fees	-	289,450	6,075	295,525
Rehabilitation costs	1,781,194	-	-	1,781,194
Rent and occupancy (Note 4)	1,186,892	62,915	3,469	1,253,276
Repairs, maintenance and consumables	722,475	-	-	722,475
Salaries	12,350,767	1,808,647	155,047	14,314,461
Service expenses	434,885	-	-	434,885
Travel	18,774	83,472	5,284	107,530
Vehicle repairs and fuel	22,196	-	-	22,196
Total expenses	\$ 82,690,067	\$ 3,857,978	\$ 323,818	\$ 86,871,863

See notes to financial statements.

2023

Program	General and Administrative	Fundraising and Development	Total
\$ -	\$ 34,156	\$ -	\$ 34,156
941,572	-	-	941,572
607,364	-	-	607,364
966,277	265,583	-	1,231,860
-	-	-	-
1,100,152	-	-	1,100,152
36,845	60,503	4,588	101,936
510,448	79,943	3,548	593,939
382,619	320,895	-	703,514
-	40,000	-	40,000
57,626,385	-	-	57,626,385
69,742	104,748	8,019	182,509
186,807	621	35,591	223,019
3,558,183	711,896	35,941	4,306,020
-	100,943	35,601	136,544
1,411,325	-	-	1,411,325
744,798	66,106	2,955	813,859
813,567	-	-	813,567
13,370,887	1,752,263	159,026	15,282,176
480,290	-	-	480,290
21,491	57,629	829	79,949
83,885	-	-	83,885
<u>\$ 82,912,637</u>	<u>\$ 3,595,286</u>	<u>\$ 286,098</u>	<u>\$ 86,794,021</u>

Blind Industries and Services of Maryland

Statements of Cash Flows Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 6,098,103	\$ (1,385,446)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,080,913	1,231,860
Lease expense, noncash	86,484	-
Decrease in allowance for credit losses	(30,365)	(1,505)
Amortization of deferred financing costs	91,331	74,795
(Decrease)/increase in inventory reserve	(27,396)	205,312
Gain on sale of property, plant and equipment	(5,351,188)	(176,728)
Changes in assets and liabilities:		
(Increase) Decrease in:		
Trade and other accounts receivable	1,892,604	(1,079,962)
Inventories	(1,649,674)	242,041
Prepaid expenses and other assets	(103,247)	(82,667)
Increase (Decrease) in:		
Accounts payable	(1,902,664)	1,749,749
Accrued expenses and other liabilities	324,683	(147,464)
Lease liabilities	(86,484)	-
Net cash provided by operating activities	423,100	629,985
Cash flows from investing activities:		
Net proceeds from sale of property, plant and equipment	10,755,815	1,124,722
Purchases of property, plant and equipment	(1,011,216)	(76,073)
Net cash provided by investing activities	9,744,599	1,048,649
Cash flows from financing activities:		
Principal payments on long-term debt	(6,269,658)	(645,677)
Principal payments on finance leases applied to lease liabilities	(102,291)	(94,465)
Net cash used in financing activities	(6,371,949)	(740,142)
Net increase in cash and restricted cash	3,795,750	938,492
Cash and restricted cash:		
Beginning	1,951,098	1,012,606
Ending	\$ 5,746,848	\$ 1,951,098
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 603,468	\$ 705,078
Right-of-use assets obtained in exchange for existing property and equipment	\$ -	\$ 6,655
Right-of-use assets obtained in exchange for new lease obligations		
Finance leases	\$ -	\$ 215,647
Operating lease	\$ 3,361,365	\$ -

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 blind of the state of Maryland. BISM operates manufacturing facilities in Baltimore and Salisbury, Maryland and in Raleigh, North Carolina. The facilities produce and package military uniforms, paper supplies, janitorial supplies and various other equipment. BISM also operates retail stores located primarily on military bases. A substantial portion of BISM sales, directly or indirectly, is dependent on U.S. federal and state government spending.

A summary of BISM's significant accounting policies follows:

Basis of accounting: The accompanying financial statements are presented in accordance with 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 requirements of the Financial Accounting Standards Board (FASB) in Accounting Standards Codification (ASC) 958-205, Presentation of Financial Statements of Not-for-Profit Entities. Under ASC 958-205, BISM is required to report 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. BISM had no donor-restricted net assets at June 30, 2024 and 2023.

Trade receivables: Trade receivables are carried at original invoice amount less an estimate made for credit losses 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, management's analysis of specific receivables, current economic conditions, and supportable forecasts about future economic and market conditions. 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 past due trade receivables.

Inventories: Inventories are stated at the lower of cost or net realizable value. The moving weighted-average cost method is used for retail store (Base Supply Center Division) merchandise. Costs for all other inventories are determined by use of the first-in, first-out (FIFO) method. BISM, based upon management's experience and knowledge, provides an estimated reserve for inventory that becomes obsolete due to age or design changes. The actual write-off or write-down of inventory could differ in the future from the amount reserved due to the use of estimates by management.

Concentrations of risk: BISM maintains cash in bank deposit accounts which, at times, may exceed federally insured limits. BISM has not experienced any losses on cash accounts and believes it is not exposed to significant credit risk on cash.

Restricted cash: BISM holds escrow cash accounts which are restricted to provide funds to reimburse amounts owed to a lender for amounts outstanding under the related loan agreement (see Note 3). The balance as of June 30, 2024 and 2023 was \$1,686,442 and \$979,584, respectively.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Property, plant and equipment: Property, plant and equipment are recorded at cost, if purchased, or at fair value if donated or acquired as part of a business combination. Depreciation and amortization are provided using the straight-line method over the estimated useful lives or the assets, or for assets under lease, the shorter of the asset's useful life or the lease term. Amortization of equipment under finance leases is included in depreciation and amortization expense. Useful lives of property and equipment range as follows:

	<u>Years</u>
Buildings and improvements	15-40
Machinery and equipment	5-10
Motor vehicles	5
Equipment under finance leases	5-10
Furniture and fixtures	5-10

Valuation of long-lived assets: BISM reviews long-lived assets and certain identifiable intangible assets 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.

Contributions: Unconditional contributions are recognized as revenue upon receipt or when unconditional promises to give are received. Contribution revenue is recorded as increases in net assets without donor restrictions, unless their use is limited by time or donor-imposed restrictions.

Conditional contributions are recognized when donor-imposed conditions are met. These revenues are subject to right of return if funds are not spent and also have barriers that must be met in order to be entitled to the funds. During each of the years ended June 30, 2024 and 2023, BISM has received \$600,000 in conditional contributions from the State of Maryland, and have fulfilled all donor-imposed conditions and properly recognized the revenue. As of June 30, 2024 and 2023, there are no additional revenues to be earned on conditional grants, nor were there any refundable advances received.

Revenue recognition: BISM recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows: (1) identify contracts with customers, (2) identify performance obligations under those contracts, (3) determine the transaction prices of those contracts, (4) allocate the transaction prices to performance obligations in those contracts and (5) recognize revenue when each performance obligation under those contracts is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services.

For manufactured items, BISM recognizes sales at a point in time once the performance obligation has been satisfied, upon shipment of goods to customers or at time of delivery and customer acceptance, depending on the contract terms. BISM has elected to treat shipping and handling activities related to contracts with customers as costs to fulfill the promise to transfer the associated goods and not as a separate performance obligation. The retail operations of BISM recognize sales at a point in time once the performance obligation has been satisfied, upon receipt of goods by the customer.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Contracts with multiple performance obligations: When BISM's contracts with customers contain multiple performance obligations, the contract transaction price is allocated on a relative standalone selling price basis to each performance obligation. BISM typically determines standalone selling price based on observable selling prices of its goods.

Transaction price: The transaction price is the amount of consideration to which BISM expects to be entitled in exchange for transferring goods to the customer. Revenue is recorded based on the transaction price. Revenue is reported net of sales and other applicable taxes collected from customers and remitted to government taxing authorities.

Incremental costs: BISM recognizes the incremental costs, if any, of obtaining contracts as an expense when incurred since the amortization period of the assets that BISM otherwise would have recognized is one year or less.

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.

Advertising: BISM expenses advertising costs as incurred. Advertising expense was \$51,073 and \$34,156 for the years ended June 30, 2024 and 2023, respectively.

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, 2024 and 2023.

BISM has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, BISM may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position.

Management has evaluated BISM's tax positions and has concluded that BISM has taken no uncertain tax positions that require adjustment to or disclosure in the financial statements. Generally, BISM is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years ending before June 30, 2021.

Leases: In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statement of activities. BISM adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

BISM elected the “package of practical expedients” under the transition guidance within Topic 842, in which BISM does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. BISM has not elected to adopt the “hindsight” practical expedient and, therefore, will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

BISM determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) BISM obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. BISM also considers whether its service arrangements include the right to control the use of an asset.

BISM made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, BISM made an accounting policy election available to nonpublic companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

BISM has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate asset class. The non-lease components typically represent additional services transferred to BISM, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Recently issued accounting pronouncements (adopted): In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of functional expenses as the amounts expected to be collected change. The ASU was effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. BISM adopted this ASU which did not have a material impact on the financial statements.

Reclassification: Certain 2023 amounts were reclassified to conform to 2024 presentation. These reclassifications had no effect on the previously reported net assets or change in net assets.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Subsequent events: Management has evaluated subsequent events through October 24, 2024, which is the date the financial statements were available to be issued.

Note 2. Inventories, Net

Components of inventories at June 30, 2024 and 2023, are as follows:

	2024	2023
Raw materials	\$ 7,761,643	\$ 5,736,428
Work-in-process	1,256,566	335,674
Finished goods	2,485,049	3,947,849
Base supply center division merchandise	2,591,886	2,425,519
Reserves for obsolescence	(937,001)	(964,397)
	<u>\$ 13,158,143</u>	<u>\$ 11,481,073</u>

Note 3. Long-Term Debt and Interest Rate Swap Agreement

Equipment loans: In March 2018, BISM entered into \$95,559 equipment loan with a lender. The loan required monthly principal and interest payments of \$1,801, which began in April 2018, with an interest rate of 4.95% through March 2023. In March 2023, the loan was paid in full.

In September 2018, BISM entered into \$397,840 of equipment loans with a bank. The loans required monthly principal payments of \$6,631, which began in November 2018, with an interest rate of 7.25% through October 2023. The loans were collateralized by a deed of trust on the equipment and were subject to certain financial and nonfinancial covenants. In October 2023, the loan was paid in full.

NIB equipment note: In June 2018, BISM entered into a \$500,000 promissory note with National Industries for the Blind (NIB) for the purchase of equipment (see Note 6). The promissory note required 54 successive monthly installments beginning in January 2019, the first six of which consisted of principal-only payments of \$9,259, with the remaining payments consisting of principal and interest at a rate of 2.375% per annum, totaling \$9,715 through the June 2023 maturity. The promissory note was collateralized by the equipment. In June 2023, the note was paid in full.

On December 29, 2021, BISM entered into a loan and security agreement and four promissory notes with a bank to refinance its long-term debt. The agreement provides for term loans of \$8,529,000 and \$3,200,000, maturing on January 1, 2047, a term loan of \$225,000, maturing on January 1, 2027, and a revolving line of credit with borrowing capacity of up to \$2,000,000. BISM also entered into a loan and financing agreement with the same bank, as the lender and Maryland Economic Development Corporation (MEDCO) as the issuer, for a MEDCO Series 2021 bond loan of \$3,295,000. The loans are collateralized and secured by deeds of trust on real property, assignment of leases and rents and all other assets of BISM.

These loans are subject to certain financial and nonfinancial covenants.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 3. Long-Term Debt and Interest Rate Swap Agreement (Continued)

Term loans: The term loans have an initial fixed interest rate of 4.27% through December 31, 2026. On January 1, 2027, the interest rate becomes variable and is calculated based upon the one-month Secured Overnight Financing Rate (SOFR) plus a margin of 0.90%. BISM has the option to request a fixed rate for the remaining unpaid principal amounts prior to Adjustment Dates on January 1, 2027, January 1, 2032, January 1, 2037, and January 1, 2042. Beginning on February 1, 2022, monthly payments of principal and interest are \$64,098 and \$4,173, for the loans maturing on January 1, 2047, and January 1, 2027, respectively, with the remaining unpaid principal balances and accrued interest due on the maturity dates. If the loans are prepaid while under a fixed interest rate, a 2% of outstanding principal penalty will be assessed. As of November 2023, the term loan of \$225,000 was paid in full.

The bank reserves the right (Call Option) to declare the entire amount of outstanding principal of the term loans, accrued interest and fees to be due and payable on each adjustment date disclosed above. The bank may exercise the Call Option, in its sole and absolute discretion, by giving written notice to the BISM at least 120 days before any applicable adjustment date.

Revolving line of credit: The revolving line of credit has a variable interest rate, which is calculated based upon the one-month SOFR plus a margin of 3% and is payable monthly. The revolving line of credit has no stated maturity date and is due upon demand. There was no outstanding balance on the line of credit as of June 30, 2024 and 2023.

Bond payable: The MEDCO Series 2021 bond loan has an initial five-year fixed interest rate of 3.54%, which is subject to adjustment on each Adjustment Date disclosed above. Monthly principal payments of \$10,983 plus interest begin on February 1, 2022, through the maturity date on January 1, 2047.

In May 2023, BISM executed an amendment requiring proceeds from the sale of a property to be deposited into an escrow account, granting the lender a continuing security interest in the escrow account, to be held by the lender to provide funds to reimburse for amounts outstanding under the related loan agreement. In January 2024, the funds within the escrow account were released.

In January 2024, BISM executed a sale of the building and land, and received \$10,500,000 in proceeds. A portion of these proceeds were used to pay off the loan on the building, and pay down other outstanding debts, and BISM recognized a gain of \$4,814,316 on the sale of this property and was recorded and netted against the gain on sale of property, plant and equipment within the statement of activities. Certain proceeds were required to be deposited into an escrow account to be held by the lender to provide funds for amounts outstanding under the related loan agreement. In March 2024, BISM executed a separate sale of a building and related assets and received \$692,875 in proceeds. A portion of these proceeds were used to pay off the building loan, and BISM recognized a gain of \$598,734 on the sale of this property and was recorded and netted against the gain on sale of property, plant and equipment within the statement of activities for the year ended June 30, 2024.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 3. Long-Term Debt and Interest Rate Swap Agreement (Continued)

Long-term debt and related current maturities at June 30, 2024 and 2023, consist of the following:

	2024	2023
Equipment loans	\$ -	\$ 19,892
Term loans	5,399,508	11,517,474
Bond payable	2,976,483	3,108,283
	8,375,991	14,645,649
Less deferred financing costs	(170,450)	(261,781)
Total long-term debt, including current maturities	8,205,541	14,383,868
Less current maturities	273,714	476,991
Total long-term debt	\$ 7,931,827	\$ 13,906,877

Future maturities of long-term debt, excluding acceleration of payments due to Call Options, are as follows at June 30, 2024:

Years ending June 30:	
2025	\$ 273,714
2026	279,982
2027	286,526
2028	292,777
2029	300,468
Thereafter	6,942,524
	<u>\$ 8,375,991</u>

Total interest expense related to long-term debt was \$575,877 and \$699,803 for the years ended June 30, 2024 and 2023, respectively.

Note 4. Leases

BISM leases vehicles under finance lease agreements with original terms ranging from approximately one to four years and interest rates ranging from 3.83% to 4.38%. In addition, certain leases contain termination options, where the rights to terminate are held by either BISM, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that BISM will exercise that option. BISM's finance leases generally do not contain any material restrictive covenants or residual value guarantees.

Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term.

BISM leases apartments for independent living training programs and rents various facilities under short-term rental agreements for training programs. Rent expense was \$132,372 and \$124,368 for short-term rehabilitation training facilities and \$21,560 and \$25,356 for short-term operating facilities for the years ended June 30, 2024 and 2023, respectively. Total rent expense was \$153,932 and \$149,724 for the years ended June 30, 2024 and 2023, respectively.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 4. Leases (Continued)

The components of lease expense are as follows for the year ended June 30, 2024:

	2024	2023
Finance lease cost—amortization of right-of-use assets	\$ 96,053	\$ 48,167
Finance lease cost—interest on lease liabilities	4,476	3,711
Operating lease costs	112,870	-
Short-term lease costs	500,095	149,724
Total lease cost	<u>\$ 713,494</u>	<u>\$ 201,602</u>

	2024	2023
Finance leases:		
Vehicles	\$ 106,754	\$ 295,505
Accumulated depreciation	(56,299)	(121,370)
Finance leases, right-of-use assets, net	<u>\$ 50,455</u>	<u>\$ 174,135</u>

Weighted-average discount rate		
Finance leases	3.90%	4.14%
Operating lease	3.79%	-

Weighted-average remaining lease term		
Finance leases	2.13 years	2.00 years
Operating lease	5.23 years	-

Future undiscounted cash flows for each of the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the statement of financial position, are as follows as of June 30, 2024:

	Finance Leases	Operating Lease
Years ending June 30:		
2025	\$ 26,883	\$ 637,081
2026	19,188	655,054
2027	7,995	674,706
2028	-	694,947
2029	-	715,796
Thereafter	-	240,349
Total lease payments	<u>54,066</u>	<u>3,617,933</u>
Less imputed interest	<u>(2,072)</u>	<u>(343,052)</u>
Total present value of lease liabilities	<u>\$ 51,994</u>	<u>\$ 3,274,881</u>

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 4. Leases (Continued)

During the year ended June 30, 2024, BISM entered and consummated one sale-leaseback transaction with an unrelated third party (the "Building Sale"). Under this transaction, BISM sold one property (the "Building") for \$10,500,000, which was reduced by transaction costs of approximately \$500,000 and payoff of the debt note related to the building, approximately \$3,600,000, for net cash proceeds of approximately \$6,850,000. In connection with the Building Sale, BISM de-recognized the related land, building, and building improvements, which resulted in a net gain of \$4,814,315 on the sale-leaseback transaction. This gain is included in the gain on sale of property, plant and equipment in the statement of activities.

In connection with the Building Sale, BISM executed a leaseback of approximately 89,017 square feet of the Building over a 9-month term, where BISM expects to continue operating. There are no extension options within this agreement. The initial base rent is \$75,000 monthly. In May 2024, a new lease agreement was signed for reduced space within the Building where BISM will be leasing approximately 45,760 square feet of space over a 5-year term. This agreement provides BISM one option to extend the lease for five years. At lease inception, BISM determined it was not reasonably certain to exercise the option to extend. The initial base rent will be approximately \$53,387 per month for the first year of the lease and will increase by an annual amount of 3% per year. The execution of this new lease agreement resulted in the recording of additional ROU assets and lease liabilities of approximately \$3,360,000. Rental payments will commence in October 2024.

Note 5. Pension Plan

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 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. BISM contributed \$27,026 and \$0 to the Plan for the years ended June 30, 2024 and 2023, respectively.

Note 6. Commitments and Related-Party Transactions

Commissions: BISM has an agreement with NIB, under which NIB acts as a prime contractor and central nonprofit agency for BISM to obtain government contracts under the AbilityOne, formerly Javits-Wagner-O'Day (JWOD) Program. BISM pays commissions of approximately 4% to NIB on all AbilityOne sales for which either BISM or NIB act as the prime contractor. AbilityOne sales totaled \$27,021,368 and \$24,227,577 for the years ended June 30, 2024 and 2023, respectively, which are included in sales on the statements of activities. Commissions paid to NIB totaled \$1,060,534 and \$941,572 for the years ended June 30, 2024 and 2023, respectively.

Trade accounts receivable include \$321,920 and \$586,314 due from NIB at June 30, 2024 and 2023, respectively. Accounts payable include \$120,508 and \$72,583 due to NIB at June 30, 2024 and 2023, respectively.

Equipment loan: BISM has a promissory note with NIB for the purchase of equipment (see Note 3). This was paid off in its entirety in June 2023.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 7. Major Customers

Approximately 49% and 40% of sales revenue was derived from sales to three customers and two of the same customers for the years ended June 30, 2024 and 2023, respectively. Accounts receivable due from these customers totaled \$1,570,496 and \$1,490,676 at June 30, 2024 and 2023, respectively.

Note 8. Major Vendor

Approximately 11% and 21% of purchases were derived from transactions with one vendor and two vendors for the years ended June 30, 2024 and 2023, respectively. Accounts payable due to these two vendors and this one vendor were \$1,236,014 and \$1,550,330 at June 30, 2024 and 2023, respectively.

Note 9. Liquidity and Availability of Assets

BISM is primarily supported by its manufacturing operations. As part of BISM's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Financial assets available to meet cash needs for general expenditures within one year at June 30, 2024 and 2023, are as follows:

	2024	2023
Cash	\$ 4,060,406	\$ 971,514
Trade and other accounts receivable, less allowance for credit losses	3,930,896	5,793,135
Financial assets available to meet general expenditures in the next 12 months	<u>\$ 7,991,302</u>	<u>\$ 6,764,649</u>