



Blind Industries and Services of Maryland

**Governor's Annual Report
FY 2025
(7/1/24-6/30/25)**

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

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of Maryland
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**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, 2024, and ending on June 30, 2025. 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 2025 Annual Report is presented to The Honorable Governor Wes Moore, the General Assembly, and Senator Shelly L. Hettleman and Delegate Jared Solomon, Co-Chairs of the Joint Audit Committee.

Over the course of FY25, the Board of Trustees and BISM's senior leadership continued to focus on, and address, the ongoing businesses of BISM, the vocational and training needs of our Associates, the provision of independence training services and programming and the future of BISM's opportunities and needs.

BISM's FY25 financial results reflect the third consecutive year of success and stability for the organization. During FY25, 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. We continue to seek and implement new ideas that will lead to additional meaningful employment of our blind population.

BISM is now in the midway point of implementing its three (3) year Strategic Plan. The Strategic Plan addresses BISM's challenges and goals in what has become a chaotic business landscape in Federal and State marketplaces. With hope, BISM will continue to be both flexible and efficient as we meet the needs of our Associates and students.

BISM is also in the final stages of installing a new, blind accessible, accounting and manufacturing software solution throughout the organization. The new software will open more areas of BISM to accessible blind employment and allow for the creation of additional product sales and customer service opportunities. Finally, BISM has been focusing 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.

As mentioned above, BISM continues to deal with unusual economic issues such as Federal government uncertainty and chaotic changes in direction and policy.

BISM's FY26 budgeted sales are \$96 million with a resulting projected business income of \$6 million. BISM is projecting Income before Other Revenue and Expenses of \$340,000 and EBITDA of \$1.7 million.

BISM has also worked to enhance its participation in the Maryland Preferred Provider program. With the

passage of the Procurement Reform Act of 2025 and the creation of the new Department of Social and Economic Mobility, BISM anticipates a number of changes of how it interfaces with the State. BISM, in conjunction with its Preferred Provider partner, Maryland Works, looks forward to working with the State to insure that Governor Moore's promise of "no Marylander left behind" applies - in the broadest way possible - to Maryland's disabled workforce.

Separate and apart from BISM's vocational mission of providing vocational opportunities and training to Maryland's blind and low vision community, BISM's Independence Training and Rehabilitation ("ITR") Department continues to provide excellent training and programming for blind and low vision individuals in the State. As we make clear in this Report, however, there are significant unmet needs within the blind community in Maryland. BISM continues to work on new and improved ways to expand our outreach and to provide services and programming to a greater number of individuals. These programs, however, in order to be more effective and far reaching, need the State's assistance. We look forward to an opportunity to have the Governor visit BISM's facilities and discuss these opportunities and needs with us.

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.
Chair, Board of Trustees



Michael Gosse, Ph.D.
President and Chief Executive Officer

BISM Board of Trustees and Senior 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, 2025, employs 532 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 2025

(July 1, 2024 – June 30, 2025)

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 programs are successful because our dedicated team of instructors – most of whom are blind - serve as teachers, mentors, and role models for students.

In Fiscal Year 2025, BISM's Independence Training and Rehabilitation ("ITR") department actively provided services across Maryland's blind community. In addition to BISM's exceptional Adult and Senior programs, this past fiscal year saw BISM expand its Youth programming, continue the BISM Residential Internship program, and expand Work Readiness Assessment Program ("WRAP").

Of the forty-five (45) Marylanders employed by BISM's ITR department in FY25, forty (40) were blind (including nine (9) Supervisor positions). The capabilities of BISM staff, coupled with limited investment from the State of Maryland, led directly to increased instruction hours, jobs secured by program alumni, and students completing BISM training programs during FY25.

The total instruction provided in FY25 was 64,210 hours and delivered to 1,526 individuals.

Instruction and training hours were distributed to adults (30,759 hours), seniors (17,236 hours), youth (13,084 hours), and customized programming (3,131 hours).

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

Throughout FY25, there were 210 referrals to BISM training programs, and 116 people completed BISM training programs.

The youth division served 427 elementary, middle, and high school students and staff through a variety of summer programs, school year programming, and multiple on-site workshops and conventions.

BISM's ITR department also continued its successful residential internship program. Under the mentorship of blind professionals, BISM has designed a three-month program to assist blind professionals in gaining experience in a field(s) of their interest. This experience is provided as a paid 40-hour work week and job responsibilities. Each year BISM accepts 4-8 interns and assign to them a primary department and secondary department to gain valuable workplace experience.

FY25 saw a total of eight (8) interns participate in this program. As of the date of this Report, five (5) interns have secured full-time employment. Three (3) with BISM and two (2) outside BISM.

(Note: All the above efforts resulted in twenty-six (26) 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 portion of the adult CORE and senior services programs is funded by a State Grant which is authorized by the Governor and overseen by the Department of Rehabilitative Services (DORS). The balance of the costs of these programs are borne by BISM with funds from its business operations.

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 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 requires eight to eleven months to complete.

CORE is a residential program, and residential living is considered an essential component because it integrates skills developed throughout training. Students live in an apartment building in downtown Baltimore City with access to public transportation and proximity to Camden Yards/Inner Harbor. This enhances the student's ability to master public transportation, build their confidence, and further develop their travel skills through real-world applications. With a certified Orientation and Mobility instructor, the BISM CORE program is now a premier destination for those seeking cane travel instruction. Another benefit of 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 the surrounding area applying skills acquired at BISM in real world settings.

In FY 2025, two (2) students successfully graduated or otherwise completed the CORE program. Additionally, the CORE program assisted twelve (12) program alumni in finding new employment.

B. Senior Services.

BISM Senior Services programs are devoted to helping Maryland seniors cope with vision loss. We provide training, services, and resources at BISM training centers in Baltimore, Hagerstown, Cumberland, Salisbury, and throughout the State of Maryland including home-based instruction. Programs are provided at no charge, which is particularly critical for seniors living on 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's Senior Programs include:

1. Seniors Achieving Independent Living (SAIL) - weekly training classes held in Cumberland, Hagerstown, Baltimore, and Salisbury. The SAIL curriculum includes classes in braille, cane travel, independent home living (with heavy emphasis on safety, 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 – held monthly across the State of Maryland in Hagerstown, Baltimore, Cumberland, and Salisbury. Our support groups organized social events and brought 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 remained to help seniors adjust to vision loss, maintain independence, and develop a positive outlook.

In FY 2025, BISM provided 17,236 hours of training to seniors throughout the State of Maryland, and 239 blind and low vision senior citizens received blindness skills training. We provided 86 facility tours for those interested in attending BISM training plus many additional tours for families, supporters, counselors, professionals, and large groups. These tours were the cornerstone of our training as they demonstrate the skills and work required to become an independent blind senior citizen in Maryland.

Outreach, events, and presentations by BISM staff continued to highlight available services. In FY 2025, senior staff reached over 800 providers and community associations with information. This includes senior centers, assisted 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 awareness of BISM services statewide.

C. Youth Services.

This past summer, BISM offered four (4) different Youth programs serving blind and low vision students across Maryland.

Two (2) four-week residential programs, STAR (Students Training in Advocacy and Responsibility) and GOLDSTAR, were headquartered at UMBC in Catonsville, Maryland. Both programs focused on career and job development. STAR encourages students to set career-minded goals and connects them with successful blind professionals to explore diverse career paths. GOLDSTAR supports career-focused students by partnering them with community business

partners for paid, resume-building work experiences.

On the Eastern Shore of Maryland, BISM hosted two (2) one-week programs. At BISM's Salisbury Training Center, BISM partnered with the National Federation of the Blind (NFB) of Maryland for a week of Braille focused education for elementary and middle school students. Meanwhile, at Camp Pecometh in Centreville, Maryland, BISM hosted a one-week residential program that challenged students to break through both personal and societal barriers placed in front of them while building confidence.

Through these four programs, BISM provided instruction, mentorship, and blindness skills to 40 blind youth across Maryland.

BISM continues to offer a full academic year of workshops under the Gaining Leadership, Independence, Direction and Experience (GLIDE) program. GLIDE is designed to help blind and low vision students develop life and job skills as they grow into young adults. The monthly program served 38 participants and took place at BISM Baltimore from September 2024 to May 2025. GLIDE workshops covered topics including independent living skills, work readiness, advocacy, career exploration, communication, and more.

D. Work Readiness Assessment Program ("WRAP").

This program worked one-on-one with eight (8) blind Maryland consumers who had been in the job market for an extended period. BISM staff provided 80 hours of individualized assessments and training, focusing on skill evaluation, interview practice, application and resume development, and job search strategies. At the conclusion of the 80-hour program, BISM prepared a detailed report with recommendations for improvement for the Division of Rehabilitation Services (DORS). Staff continued to follow up with participants weekly, then monthly, to monitor progress. As a direct result, two (2) blind Marylanders gained employment through WRAP participation.

E. Residential Internship Program.

In the last quarter of FY 2024, ITR designed, developed, and launched a residential internship program offering blind (and, if qualified, sighted) individuals hands-on work experience, mentorship, and professional development skills necessary to excel in today's workforce.

During the first quarter of FY25, BISM continued the pilot phase by employing two (2) interns selected for professional potential and passion for BISM's mission. Over the twelve-week pilot, interns participated in a variety of projects across departments, receiving guidance from blind professionals and supervisors. The provision of housing allowed participants to fully immerse themselves in the experience, adjusting to a new environment while receiving valuable experience.

The success of this pilot reinforced BISM's commitment to continuing the internship as a year-round program, offering more blind and low-vision individuals the opportunity to develop workplace skills, gain confidence, and prepare for long-term employment.

In total, with the pilot program plus three additional intern groupings, FY25 included eight (8)

participants in the residential internship program. Of these, five (5) earned full-time employment upon completion--- three (3) within BISM (IT, Operations Process Improvement Engineer, and an Instructor/Trainer) and two (2) with external employers (Amazon Inc. and Baltimore City Public Schools). In the coming years BISM expects to run the Residential Internship Program three times annually providing valuable professional experience to six (6) blind professionals each year.

BISM notes that this program is solely funded by BISM and outside grants.

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 the State of Maryland purchases from BISM, they are helping to provide employment opportunities for blind and low vision Marylanders. BISM's product offerings include paper pads, 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.

FY25 was a year that had strong periods of positive sales mixed with equally weak and particularly challenging periods. The challenges faced were related to the uncertainty with the Maryland budget and the ability of agencies to spend on procurement. The result was overall flat sales for BISM in FY25 when compared to FY24. During this period, BISM's primary focus was to connect (and reconnect) with our customers and remind them of the BISM's place in the procurement system and the crucial importance of our mission. It was important to remind our customers how critical their support is to the continuation of our provision of vocational opportunities to the Maryland blind community, especially during the first five (5) months of 2025 when BISM state sales were significantly below expectations. With the emphasis on relationship building, coupled with the passage of the State of Maryland's FY26 budget, BISM began to see much stronger results.

As a participant in the Preferred Provider program which, under State law, the State and State-aided or controlled entities are required 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. Unfortunately, BISM finds this law is not regularly followed and the State has yet to provide an enforcement program to ensure compliance.

A goal for FY25 was to make a few subtle changes in the Preferred Provider language which would allow BISM to create increased employment opportunities for its blind employees. In particular, BISM looked for a change to the current legislation, State Finance and Procurement Article, Section 14-101, that would include products that are "packaged and/or repackaged". We are pleased to report that both chambers of the Maryland General Assembly passed the legislation change on April 4, 2025, and Governor Moore signed the change into law on May 20, 2025.

As a continuation of the need to connect with our core customers, BISM once again participated in the 2025 State Procurement Advisory Group (SPAG) meeting. We used this opportunity to provide additional education to thousands of State procurement officials on how our State Sales are very much aligned with our ability to provide services through our ITR program. BISM's State Sales Team also attended several events throughout the year that provided additional 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.

FY25 sales of products to the federal government increased by five percent (5%) as our existing sewn uniform programs have continued with slight growth in demand. The Air Force/Space Force program remained strong during the year as well as an increase in demand for the GENIII Layer IV Jacket. All four (4) BISM manufacturing facilities were able to meet DLA Troop Support uniform demands. The cutting facility had increased internal demands while the cut part products order from Federal Prison Industries were down by approximately twenty percent (20%) in FY25.

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.

The supply chain has continued to improve over the past year and has not had an impact on BISM's ability to meet the customer requirements. BISM has worked diligently to increase the breadth of our supplier base to ensure more competition in the marketplace for fabric and components in order to control costs. Product lead times, quality and responsiveness continues to trend in a positive direction.

Demand for the Army Physical Fitness Uniform Jacket (APFU), Extended Cold Weather Clothing System Jacket (ECWCS) for the federal government increased in FY25. Demand for Army Combat Coat (ACU) held steady in FY25 due to a contract extension but will increase substantially in FY26. The Air Force/Space Force Physical Training Gear (PTG) began its pre-production ramp up in FY2024 and demand stayed steady during the entirety of FY26, becoming the second largest production volume program in the BISM portfolio. The Air Force/Space Force

program will see significant reductions mid-FY27.

While the chaotic changes within the Federal government since the beginning of 2025 have not yet affected the sewn materials portion of BISM's business, BISM is determined to remain flexible and diligent in these areas to protect against any upheavals.

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.

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. 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 our operations and are a key to this successful program.

Overall, sales for our BSC's in FY25 exceeded our Budget expectations. The BSC program now includes seeking and obtaining business opportunities from the Federal Defense Logistics Agency/Tailored Logistic Support (DLA/TLS) program and provides the BSC's customers with another avenue for making purchases through our stores. This, combined with the BSC customer shopping experience with our eCommerce portal, ShopBISM.com, has significantly enhanced our program and boosted sales.

Beginning in January 2025, business with the Federal government has been somewhat chaotic. The significant decrease in the workforce and changes to many Federal agencies and programs has caused a decrease in support for the BSCs and a shortfall in sales. Despite back to work orders for many Federal employees, we continue to note that many federal customers are either no longer employed or continue to work virtually rather than on base and/or in office. We continue to bolster and improve our online options so as to stay current with the needs/wants of our customers. We are currently in the transition period of updating our current point of sale system into a more robust and blind accessible platform, to better augment 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 25, BISM continued to navigate hiring and retention challenges driven by ongoing shifts in workforce availability for both blind and sighted Associates. While these challenges remain a factor across the employment landscape, BISM achieved a slight overall increase in headcount this year, fueled by internal promotions and the expansion of key divisions, including Independence Training and Rehabilitation (ITR).

BISM maintained its commitment to identifying and developing internal talent through targeted training, mentoring, and skills development. These efforts resulted in continued growth in upward mobility opportunities for blind and low-vision Associates, spanning manufacturing, leadership, administrative, and programmatic roles.

FY 25 also marked the successful launch of BISM's internship program, which provided meaningful employment experiences for skilled blind interns and furthered the organization's mission to create pathways to independence through employment. Additionally, BISM partnered with Baltimore County as a Summer Youth Employment Program employer, proudly hosting two interns who gained valuable hands-on experience in our operations.

BISM remains steadfast in its commitment to creating a safe, supportive, and inclusive workplace, fostering professional development, and cultivating the next generation of blind talent who will continue to advance our mission and impact across Maryland and beyond.

Development

BISM's Development Department is responsible for pursuing alternative funding solutions for BISM's ITR department so it can maintain, and expand, the critical programming and services offered to our blind and visually impaired clientele.

As discussed above, BISM's ITR department is not fully funded by the State and remains underfunded. As we move forward and set a goal to expand services to blind individuals throughout the State, we are aware that BISM's business operations, alone, cannot sustain the long-term costs of these programs. Accordingly, BISM's Development department continues to expand and diversify its fundraising efforts to preserve and grow these essential services for blind Marylanders.

Since recommitting to a formal development function, BISM has made significant strides in building a structured, mission-aligned fundraising program to support the ITR Department. While BISM continues to receive a grant from the Maryland State Department of Education to partially support CORE programming, this grant remains relatively unchanged in the recent past despite increasing operational costs nor does it extend to the full range of training services offered. BISM believes that it is the State's responsibility to fully fund the comprehensive independence training services provided - at no cost - to Maryland residents. In the absence of such full funding, BISM has maintained its commitment to underwrite the ITR budget through business revenue and has continued to grow its philanthropic efforts to ensure long-term sustainability.

In FY25, BISM deepened its development infrastructure by implementing more strategic outreach and stewardship practices. These included the expansion of annual giving campaigns and the introduction of a donor impact reporting initiative. Additionally, BISM successfully secured matching gift commitments to increase the effectiveness of year-end campaigns and is exploring a more formal major donor strategy to strengthen pipeline development.

Event-based fundraising also continued to play a key role in BISM's efforts. The annual Golf Classic achieved record attendance and engagement, and BISM launched a new spring community fundraiser—"BISM on Tap"—to build visibility and donor acquisition among new audiences. These events also served as platforms for donor education and mission storytelling.

BISM's grant efforts also achieved meaningful results in FY25. Notably, a grant secured to support BISM's internship program provided critical funding to offer paid, skill-building opportunities for blind and low vision interns participating in immersive work-based learning experiences across BISM's departments. The ability to provide compensation not only increased access to the program but also enhanced its impact. Building on this success, BISM is actively seeking additional funding to expand and sustain the internship program in the year ahead.

BISM remains committed to advancing a strategic, sustainable, and mission-driven development program. In FY25 and beyond, we aim to grow our donor base, expand foundation relationships, and fully implement a development committee and grant management system. These efforts will be critical to our ability to ensure that ITR services not only continue—but thrive—and reach more blind Marylanders across the state.

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, 2025

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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 Organization), which comprise the statements of financial position as of June 30, 2025 and 2024, 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 Organization as of June 30, 2025 and 2024, 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.

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 Organization 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

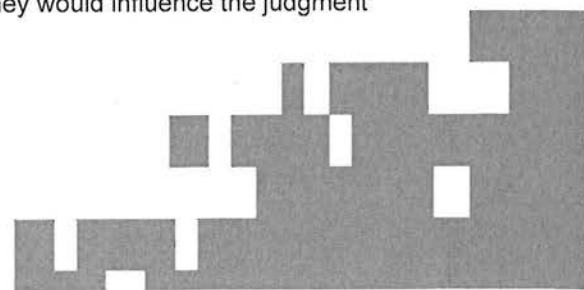
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 Organization'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.

THE POWER OF BEING UNDERSTOOD
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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 Organization'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 Organization'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 27, 2025

Blind Industries and Services of Maryland

**Statements of Financial Position
June 30, 2025 and 2024**

	2025	2024
Assets		
Current assets:		
Cash	\$ 2,116,377	\$ 4,060,406
Restricted cash	1,756,343	1,686,442
Trade and other accounts receivable, less allowance for credit losses (2025—\$161,216; 2024—\$161,216) (Notes 6 and 7)	6,253,779	3,930,896
Inventories, net (Note 2)	13,636,332	13,158,143
Prepaid expenses and other assets	325,250	369,403
Total current assets	24,088,081	23,205,290
Property, plant and equipment (Notes 3 and 4):		
Land	2,352,049	2,352,049
Buildings and improvements	15,659,460	15,656,714
Machinery and equipment	8,074,020	10,338,215
Vehicles	729,824	829,150
Furniture and fixtures	558,997	558,997
	27,374,350	29,735,125
Less accumulated depreciation and amortization	17,110,170	18,837,585
	10,264,180	10,897,540
Right-of-use assets—finance leases, net (Note 4)	159,723	50,455
Right-of-use asset—operating lease, net (Note 4)	2,703,874	3,274,881
Total assets	\$ 37,215,858	\$ 37,428,166

See notes to financial statements.

	2025	2024
Liabilities and Net Assets		
Current liabilities:		
Current maturities of long-term debt (Note 3)	\$ 279,982	\$ 273,714
Current finance lease liabilities (Note 4)	54,319	25,497
Current operating lease liability (Note 4)	563,150	524,772
Accounts payable (Note 8)	7,558,591	6,698,647
Accrued expenses and other liabilities	2,466,243	2,235,410
Total current liabilities	10,922,285	9,758,040
Long-term debt (Note 3)	7,720,041	7,931,827
Finance lease liabilities, net of current portion (Note 4)	107,786	26,497
Operating lease liability, net of current portion (Note 4)	2,186,959	2,750,109
Total liabilities	20,937,071	20,466,473
Commitments (Notes 5 and 6)		
Net assets:		
Without donor restrictions	16,278,787	16,961,693
Total net assets	16,278,787	16,961,693
Total liabilities and net assets	\$ 37,215,858	\$ 37,428,166

Blind Industries and Services of Maryland

Statements of Activities

Years Ended June 30, 2025 and 2024

	2025	2024
	Without Donor Restrictions Total	Without Donor Restrictions Total
Revenue:		
Sales (Notes 6 and 7)	\$ 86,271,628	\$ 86,167,380
State of Maryland appropriations	600,000	600,000
Contributions and grants	277,993	153,415
Miscellaneous	742,825	580,805
	<u>87,892,446</u>	<u>87,501,600</u>
Expenses (Notes 3, 4, 5, 6 and 8):		
Program	83,568,735	82,690,067
General and administrative	4,763,476	3,857,978
Fundraising and development	377,109	323,818
	<u>88,709,320</u>	<u>86,871,863</u>
(Loss) gain on sale of property, plant and equipment	<u>(39,258)</u>	<u>5,351,188</u>
Operating (loss) income	(856,132)	5,980,925
Other revenue and expenses:		
Interest income	173,226	117,178
Change in net assets	(682,906)	6,098,103
Net assets:		
Beginning	<u>16,961,693</u>	<u>10,863,590</u>
Ending	<u>\$ 16,278,787</u>	<u>\$ 16,961,693</u>

See notes to financial statements.

Blind Industries and Services of Maryland

Statements of Functional Expenses
Years Ended June 30, 2025 and 2024

	2025			
	Program	General and Administrative	Fundraising and Development	Total
Advertising and promotion	\$ 8,274	\$ 35,273	\$ 29,814	\$ 73,361
Commissions	1,082,344	-	-	1,082,344
Credit card fees	699,748	-	-	699,748
Depreciation and amortization	713,594	229,538	-	943,132
Financing fees (Note 3)	3,721	-	-	3,721
Freight out	1,213,759	-	-	1,213,759
Information technology	33,449	757,643	19,901	810,993
Insurance	644,547	106,102	5,905	756,554
Interest expense (Notes 3 and 4)	73,781	333,095	-	406,876
Lobbying fees	-	40,000	-	40,000
Materials and product costs	55,245,739	-	-	55,245,739
Office expenses	86,708	177,890	26,092	290,690
Other expenses	430,063	5,998	998	437,059
Payroll taxes and benefits (Note 5)	4,074,220	778,922	57,247	4,910,389
Professional fees	-	109,072	51,600	160,672
Rehabilitation costs	2,128,921	-	-	2,128,921
Rent and occupancy (Note 4)	1,428,561	92,082	3,735	1,524,378
Repairs, maintenance and consumables	924,667	-	-	924,667
Salaries	14,278,984	1,922,285	173,249	16,374,518
Service expenses	438,841	-	-	438,841
Travel	16,807	175,576	8,568	200,951
Vehicle repairs and fuel	42,007	-	-	42,007
Total expenses	\$ 83,568,735	\$ 4,763,476	\$ 377,109	\$ 88,709,320

See notes to financial statements.

2024			
Program	General and Administrative	Fundraising and Development	Total
\$ 6,936	\$ 20,903	\$ 23,234	\$ 51,073
1,060,534	-	-	1,060,534
642,161	-	-	642,161
845,955	234,958	-	1,080,913
3,885	-	-	3,885
1,090,929	-	-	1,090,929
38,770	107,328	41,177	187,275
562,947	90,948	5,233	659,128
228,186	352,167	-	580,353
-	40,000	-	40,000
57,752,982	-	-	57,752,982
75,971	120,887	24,893	221,751
284,687	1,500	7,188	293,375
3,578,941	644,803	52,218	4,275,962
-	289,450	6,075	295,525
1,781,194	-	-	1,781,194
1,186,892	62,915	3,469	1,253,276
722,475	-	-	722,475
12,350,767	1,808,647	155,047	14,314,461
434,885	-	-	434,885
18,774	83,472	5,284	107,530
22,196	-	-	22,196
<u>\$ 82,690,067</u>	<u>\$ 3,857,978</u>	<u>\$ 323,818</u>	<u>\$ 86,871,863</u>

Blind Industries and Services of Maryland

Statements of Cash Flows Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (682,906)	\$ 6,098,103
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	943,132	1,080,913
Lease expense, noncash	571,007	86,484
Decrease in allowance for credit losses	-	(30,365)
Amortization of deferred financing costs	68,180	91,331
Decrease in inventory reserve	(199,604)	(27,396)
Loss/(gain) on sale of property, plant and equipment	39,258	(5,351,188)
Changes in assets and liabilities:		
(Increase) decrease in:		
Trade and other accounts receivable	(2,322,883)	1,892,604
Inventories	(278,585)	(1,649,674)
Prepaid expenses and other assets	44,153	(103,247)
Increase (decrease) in:		
Accounts payable	859,944	(1,902,664)
Accrued expenses and other liabilities	230,833	324,683
Lease liabilities	(524,772)	(86,484)
Net cash (used in) provided by operating activities	(1,252,243)	423,100
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	83,662	10,755,815
Purchases of property, plant and equipment	(391,845)	(1,011,216)
Net cash (used in) provided by investing activities	(308,183)	9,744,599
Cash flows from financing activities:		
Principal payments on long-term debt	(273,698)	(6,269,658)
Principal payments on finance leases applied to lease liabilities	(40,004)	(102,291)
Net cash used in financing activities	(313,702)	(6,371,949)
Net (decrease) increase in cash and restricted cash	(1,874,128)	3,795,750
Cash and restricted cash:		
Beginning	5,746,848	1,951,098
Ending	\$ 3,872,720	\$ 5,746,848
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 407,772	\$ 603,468
Right-of-use assets obtained in exchange for new lease obligations:		
Operating lease	\$ -	\$ 3,361,365
Finance lease	\$ 150,115	\$ -

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 net assets with donor restrictions at June 30, 2025 and 2024.

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, 2025 and 2024, was \$1,756,343 and \$1,686,442, 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 is 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 of the assets, or for assets under lease, the shorter of the asset's useful life or the remaining lease term. Amortization of equipment under finance leases is included in depreciation and amortization expense. Useful lives of property and equipment range as follows:

	Years
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 substantially 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, 2025 and 2024, 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, 2025 and 2024, 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 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. Total revenue recognized at a point in time was \$86,271,628 and \$86,167,380 for the years ended June 30, 2025, and 2024, respectively.

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 \$73,361 and \$51,073 for the years ended June 30, 2025 and 2024, 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, 2025, and 2024.

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 ended before June 30, 2022.

Leases: 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) the customer 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 recognizes most leases on its 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. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

Blind Industries and Services of Maryland

Notes to Financial Statements

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

BISM made an accounting policy election available 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. 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 received. To determine the present value of lease payments, BISM made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

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 nonlease components in its contracts as a single lease component for its real estate asset class. The nonlease 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.

Subsequent events: Management has evaluated subsequent events through October 27, 2025, which is the date the financial statements were available to be issued.

Note 2. Inventories, Net

Components of inventories at June 30, 2025 and 2024, are as follows:

	2025	2024
Raw materials	\$ 7,328,160	\$ 7,761,643
Work in process	1,798,789	1,256,566
Finished goods	2,972,313	2,485,049
Base supply center division merchandise	2,274,467	2,591,886
Reserves for obsolescence	(737,397)	(937,001)
	<u>\$ 13,636,332</u>	<u>\$ 13,158,143</u>

Note 3. Long-Term Debt Agreement

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.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 3. Long-Term Debt Agreement (Continued)

These loans are subject to certain financial and nonfinancial covenants.

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. 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 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 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, 2025 and 2024.

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 are due 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 Agreement (Continued)

Long-term debt and related current maturities at June 30, 2025 and 2024, consist of the following:

	2025	2024
Term loans	\$ 5,257,609	\$ 5,399,508
Bond payable	2,844,684	2,976,483
	8,102,293	8,375,991
Less deferred financing costs	(102,270)	(170,450)
Total long-term debt, including current maturities	8,000,023	8,205,541
Less current maturities	279,982	273,714
Total long-term debt	<u>\$ 7,720,041</u>	<u>\$ 7,931,827</u>

Future maturities of long-term debt, excluding acceleration of payments due to Call Options, are as follows at June 30, 2025:

Years ending June 30:	
2026	\$ 279,982
2027	286,526
2028	292,777
2029	300,468
2030	311,774
Thereafter	6,630,766
	<u>\$ 8,102,293</u>

Total interest expense related to long-term debt was \$403,009 and \$580,353 for the years ended June 30, 2025 and 2024, 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 \$152,325 and \$132,372 for short-term rehabilitation training facilities and \$13,557 and \$21,560 for short-term operating facilities for the years ended June 30, 2025 and 2024, respectively. Total rent expense was \$165,882 and \$153,932 for the years ended June 30, 2025 and 2024, respectively, and is included in short-term lease costs.

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 derecognized 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 for the year ended June 30, 2024.

In connection with the Building Sale, BISM executed a leaseback of 89,017 square feet of the Building over a 9-month term with no extension options. The base rent totaled \$75,000 monthly. In May 2024, a new lease agreement was signed for reduced space within the Building where BISM leased 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 \$53,387 per month for the first year of the lease and will increase by an annual amount of 3% per year. Rental payments commenced in October 2024.

The components of lease expense are as follows for the years ended June 30, 2025 and 2024:

	2025	2024
Finance lease cost—amortization of right-of-use assets	\$ 40,847	\$ 96,053
Finance lease cost—interest on lease liabilities	3,867	4,476
Operating lease costs	677,219	112,870
Short-term lease costs	398,382	500,095
Total lease cost	<u>\$ 1,120,315</u>	<u>\$ 713,494</u>
	2025	2024
Finance leases:		
Vehicles	\$ 221,395	\$ 106,754
Accumulated depreciation	(61,672)	(56,299)
Finance leases, right-of-use assets, net	<u>\$ 159,723</u>	<u>\$ 50,455</u>
Operating leases:		
Building	\$ 3,274,881	\$ 3,274,881
Accumulated amortization	(571,007)	-
Operating leases, right-of-use assets, net	<u>\$ 2,703,874</u>	<u>\$ 3,274,881</u>

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 4. Leases (Continued)

	2025	2024
Weighted-average discount rate:		
Finance leases	4.24%	3.90%
Operating lease	3.76%	3.79%
Weighted-average remaining lease term:		
Finance leases	3.24 years	2.13 years
Operating lease	4.42 years	5.23 years

Future undiscounted cash flows for each of the next five years, and a reconciliation to the lease liabilities recognized on the statement of financial position, are as follows as of June 30, 2025:

	Finance Leases	Operating Lease
Years ending June 30:		
2026	\$ 59,964	\$ 655,054
2027	48,771	674,706
2028	40,776	694,947
2029	23,787	715,796
2030	-	240,349
Total lease payments	173,298	2,980,852
Less imputed interest	(11,193)	(230,743)
Total present value of lease liabilities	\$ 162,105	\$ 2,750,109

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 \$109,586 and \$28,214 to the Plan for the years ended June 30, 2025 and 2024, respectively.

Note 6. Commitments and Related-Party Transactions

Commissions: BISM has an agreement with National Industries for the Blind (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 \$28,011,039 and \$27,021,368 for the years ended June 30, 2025 and 2024, respectively, which are included in sales on the statements of activities. Commissions paid to NIB totaled \$1,082,344 and \$1,060,534 for the years ended June 30, 2025 and 2024, respectively.

Trade accounts receivable include a balance of \$0 and \$321,920 due from NIB at June 30, 2025, and 2024, respectively. Accounts payable include \$90,029 and \$120,508 due to NIB at June 30, 2025 and 2024, respectively.

Blind Industries and Services of Maryland

Notes to Financial Statements

Note 7. Major Customers

Approximately 40% and 49% of sales revenue for the years ended June 30, 2025 and 2024, respectively, was derived from two and three customers, respectively, with two customers common to both years. Accounts receivable due from these customers totaled \$3,755,786 and \$1,570,496 at June 30, 2025 and 2024, respectively.

Note 8. Major Vendor

There were no major vendors for the year ended June 30, 2025. Approximately 11% of purchases were derived from transactions with one vendor for the year ended June 30, 2024. Accounts payable due to this vendor was \$1,236,014 at June 30, 2024.

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, 2025 and 2024, are as follows:

	2025	2024
Cash	\$ 2,116,377	\$ 4,060,406
Trade and other accounts receivable, less allowance for credit losses	6,253,779	3,930,896
Financial assets available to meet general expenditures in the next 12 months	<u>\$ 8,370,156</u>	<u>\$ 7,991,302</u>