

**THE BLIND CHILDREN'S LEARNING
CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

**THE BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**TABLE OF CONTENTS
JUNE 30, 2017 AND 2016**

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

Rojas & Associates, CPAs

500 South Grand Avenue, Suite 2080, Los Angeles, California 90071

www.accountant.bz

Phone - 213-283-9500

To the Board of Directors
The Blind Children's Learning Center of Orange County, Inc.
Santa Ana, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of The Blind Children's Learning Center of Orange County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements. The prior year summarized comparative information has been derived from The Blind Children's Learning Center of Orange County, Inc.'s June 30, 2016, financial statements, and in our report dated September 21, 2016, we expressed an unqualified (unmodified) opinion on the financial statements

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Blind Children's Learning Center of Orange County, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

ROJAS & ASSOCIATES, CPAs

Rojas & Associates, CPAs

Los Angeles, California
October 17, 2017

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

ASSETS	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Current Assets:		
Cash and cash equivalents	\$1,152,408	\$1,218,490
Investments in certificates of deposit	250,829	259,034
Accounts receivable	135,139	159,126
Contributions receivable	95,000	0
Other receivables	3,302	3,627
Prepaid expenses	<u>14,233</u>	<u>3,447</u>
Total current assets	\$1,650,911	\$1,643,724
Property and Equipment:		
Buildings and improvements	121,206	0
Leasehold improvements	364,468	625,029
Furniture, equipment, and software	239,221	450,952
Vehicles	<u>58,853</u>	<u>17,200</u>
Total property and equipment	783,748	1,093,181
Accumulated depreciation and amortization	(252,862)	(681,497)
Net property and equipment	<u>530,886</u>	<u>411,684</u>
TOTAL ASSETS	<u>\$2,181,797</u>	<u>\$2,055,408</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 18,737	\$ 24,487
Accrued payroll and payroll taxes payable	79,502	68,097
Accrued vacation payable	64,129	67,737
Accrued pension plan payable	5,416	3,516
Deferred revenue	64,149	10,525
Other current liabilities	<u>794</u>	<u>4,946</u>
Total current liabilities	232,727	179,308
Net Assets:		
Unrestricted	<u>1,949,070</u>	<u>1,876,100</u>
Total net assets	<u>1,949,070</u>	<u>1,876,100</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,181,797</u>	<u>\$2,055,408</u>

See independent auditors' report and notes to financial statements.

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED TOTALS FOR THE
YEAR ENDED JUNE 30, 2016**

REVENUES	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total June 30, 2017</u>	<u>Totals June 30, 2016</u>
Revenues and Other Support:				
Program fees	\$1,453,836	\$ 0	\$1,453,836	\$1,192,196
Individual and group donors	353,362	0	353,362	675,052
Commercial organization donors	99,444	0	99,444	84,743
Foundation donors	351,833	280,000	631,833	336,260
In-kind contributions	29,091	0	29,091	57,800
Legacies and bequests	516	0	516	60,867
United Way	1,742	0	1,742	2,279
Special events	328,264	0	328,264	206,186
Investment revenue earned	5,780	0	5,780	6,399
Investment securities contributed	53,458	0	53,458	74,767
Other revenue	0	0	0	2,715
Net assets released from restrictions	<u>280,000</u>	<u>(280,000)</u>	<u>0</u>	<u>0</u>
Total revenues and other support	2,957,326	0	2,957,326	2,699,264
 EXPENSES				
Functional Expenses:				
Program services	2,451,526	0	2,451,526	2,277,649
Support Services:				
Management and general	156,915	0	156,915	158,882
Fundraising	208,541	0	208,541	209,656
Special events	<u>67,374</u>	<u>0</u>	<u>67,374</u>	<u>64,480</u>
Total functional expenses	2,884,356	0	2,884,356	2,710,667
 CHANGE IN NET ASSETS				
Increase (decrease) in net assets	72,970	0	72,970	(11,403)
Net assets, as of the beginning of the year	<u>1,876,100</u>	<u>0</u>	<u>1,876,100</u>	<u>1,887,503</u>
Net assets, as of the end of the year	<u>\$1,949,070</u>	<u>0</u>	<u>\$1,949,070</u>	<u>\$1,876,100</u>

See independent auditors' report and notes to financial statements.

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED TOTALS FOR THE
YEAR ENDED JUNE 30, 2016**

<u>EXPENSES BY FUNCTION</u>	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>			<u>Totals</u>	<u>Totals</u>
	<u>Early Intervention and Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Special Events</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Salaries	\$1,585,911	\$ 88,106	\$ 88,106	\$ 0	\$1,762,123	\$1,656,494
Payroll taxes	128,561	7,142	7,142	0	142,845	133,354
Employee benefits	149,680	8,316	8,316	0	166,312	161,052
Auto and travel	50,787	144	475	0	51,406	57,732
Bad debt	2,547	0	0	0	2,547	0
Bank service charges	959	834	7,631	0	9,424	12,269
Depreciation and amortization	72,565	4,031	4,031	0	80,627	50,333
Education supplies	15,388	0	0	0	15,388	15,822
Events	9,009	0	2,537	67,374	78,920	80,479
Facility leases	92,299	5,128	5,128	0	102,555	107,044
Field trips	1,217	0	0	0	1,217	1,327
Food and consumables	17,851	190	149	0	18,190	11,079
Insurance	16,863	1,826	0	0	18,689	15,848
Legal and accounting	1,723	8,805	0	0	10,528	14,244
Loss on disposal of assets	18,988	294	294	0	19,576	0
Meetings	197	5,797	254	0	6,248	5,751
Office expense	18,734	13,573	4,725	0	37,032	44,907
Payroll service fees	11,527	640	640	0	12,807	19,822
Peer buddies and mentoring	3,950	0	0	0	3,950	2,940
Program consulting services	115,850	0	43,050	0	158,900	159,062
Promotion	1,332	1,582	26,008	0	28,922	29,127
Repairs and maintenance	51,618	8,425	7,993	0	68,036	68,928
Staff development	13,024	0	0	0	13,024	15,313
Substitute teachers	19,085	0	0	0	19,085	12,288
Taxes and licenses	2,328	20	0	0	2,348	5,348
Telephone	13,225	735	735	0	14,695	10,408
Utilities	23,895	1,327	1,327	0	26,549	12,008
Volunteer services	12,413	0	0	0	12,413	7,688
Total expenses by function	<u>\$2,451,526</u>	<u>\$ 156,915</u>	<u>\$ 208,541</u>	<u>\$67,374</u>	<u>\$2,884,356</u>	<u>\$2,710,667</u>

See independent auditors' report and notes to financial statements.

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017 AND 2016**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 72,970	(\$ 11,403)
Non-cash items included in change in net assets:		
Revenue from contributed securities	(53,458)	(74,767)
Contributions of capitalized services	0	(57,800)
Proceeds from sale of donated securities	53,338	75,718
Realized loss (gain) on sale of securities	120	(951)
Depreciation and amortization	80,627	50,333
Bad debt expense	2,547	0
Loss on disposal of assets	19,576	0
Changes in operating assets and liabilities		
Decrease in accounts receivable	21,440	24,182
Decrease (increase) in other receivables	325	(2,952)
Increase (decrease) in prepaid expenses	(10,786)	7,856
Increase in contributions receivable	(95,000)	0
Decrease in accounts payable	(5,750)	(25,502)
Increase in accrued expenses	9,697	7,347
Increase in deferred revenue	53,624	347
Increase (decrease) in other current liabilities	(4,152)	2,665
Net cash provided by (used in) operating activities	<u>145,118</u>	<u>(4,927)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest reinvested in certificate of deposit	(1,155)	(1,357)
Proceeds from maturity of certificate of deposit	9,360	0
Payments for purchases of fixed assets	(219,405)	(156,564)
Net cash provided by (used in) investing activities	<u>(211,200)</u>	<u>(157,921)</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
Net decrease in cash and cash equivalents	(66,082)	(162,848)
Cash and cash equivalents, as of the beginning of the year	<u>1,218,490</u>	<u>1,381,338</u>
Cash and cash equivalents, as of the end of the year	<u>\$1,152,408</u>	<u>\$1,218,490</u>

See independent auditors' report and notes to financial statements.

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 1. NATURE OF OPERATIONS

The Blind Children's Learning Center of Orange County, Inc. (the "Center") was incorporated in 1962 in California as a not-for-profit corporation. The Center has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

The mission of the Center is to prepare visually impaired children for a life of independence through early intervention, education, and family support. The primary sources of revenue for the Center are program fees and charitable contributions.

The Center provides the following core programs:

Global Infant Development is a program whereby Infant Development Specialists make home visits to families with visually impaired children (birth to three years). Children with visual impairments receive vision stimulation and therapy services as needed while their parents receive education, counseling and support services. Parents learn how vision loss can affect healthy development and how to help their visually impaired children learn, grow, and gain independence.

Bright Visions Early Childhood Center provides both visually impaired and typically developing children (ages six weeks to six years) with a highly inclusive environment that focuses on appropriate overall development and school readiness. The program builds a strong foundation for future success by giving all children the confidence to move through the world independently. Braille and mobility and technology training are provided as well as pediatric services to minimize developmental delays for children with visual impairments.

Youth Outreach partners with local school districts and with visually impaired students (Kindergarten through 12th grade) who have transitioned into public school classrooms throughout Orange County. Credentialed teachers provide individualized instruction in Braille, orientation and mobility, and adaptive technology. The partnership not only ensures success during the students' school age years, but also results in increased student independence in school, at home, and in the community.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents - The Center defines cash equivalents as cash and checks available for deposit, and cash in checking accounts, along with all highly liquid investments with original maturities of three months or less. These cash and cash equivalent accounts may, at times, exceed federally insured limits; however, the Center has not experienced any losses on these accounts.

Investments - Investments consist of certificates of deposit with terms greater than three months and equity securities. Investments, other than certificates of deposit, are reported at fair market value. Realized and unrealized gains and losses are included as unrestricted revenue in the statement of

See accompanying independent auditors' report.

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

activities. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions.

Financial Statement Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board Codification of ASC Topic 958-205 - Not for Profit Entities. Under ASC Topic 958-205, the Center is required to report information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, or unrestricted. See definitions below.

Unrestricted Net Assets are those currently available for use in the operations of the Center under the direction of the Board.

Temporarily Restricted Net Assets are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment, or those not currently available for use until commitments regarding their use have been fulfilled.

Permanently Restricted Net Assets are those stipulated by donors that the corpus be invested in perpetuity and only the income be made available for the program operations in accordance with donor restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Accounts Receivable - The Center has no provision for uncollectible accounts as they are deemed to be fully collectible.

Property and Equipment - These are recorded at historical cost or fair market value at the date of donation, if donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire depreciable items, are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed into service. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 20 years. The Center capitalizes all assets acquired through purchase or donation with a cost or fair value of greater than \$1,000, which is considered tangible personal or real property.

In 2017, leasehold improvements in the amount of \$14,501 was reclassified as building improvements due to the nature of the assets.

See accompanying independent auditors' report.

THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services - If material or other noncash contributions are received through donation, their value is reflected in the accompanying statements at their estimated fair market value at the date of receipt. Contribution of services are recognized if the services received, create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis or deriving their value.

Expense Allocation - The costs of providing services and other Center activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Restricted and Unrestricted Revenue and Support - In accordance with FASB ASC Topic 958-605, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

A donor-imposed restriction specifies a use that is more specific than the broad limits associated with the nature of the Center. A donor-imposed condition specifies a future and uncertain event whose occurrence or failure to occur gives the donor a right to the return of the assets provided. Amounts received (or promised) that are conditioned upon such future and uncertain events are recorded as a liability until the condition that entitles the Center to keep the funds is met. When and if that event occurs, the amounts received are recognized as a contribution at that time.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Grants represent contributions if the resources provider receives no value in exchange for the assets transferred, or if the value received is incidental to the potential public benefit to be provided by using the assets. Grants represent an exchange transaction if the potential public benefit to be derived is secondary to the potential benefit received by the resource provider.

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Receipts subsequent to the financial statement date, from

See accompanying independent auditors' report.

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

contributions previously subject to conditions that have been substantially met as of the financial statement date, and grants not considered exchange transactions in which conditions have been substantially met as of the financial statement date, are considered receivables and earned revenue as of that date.

Income Taxes - The Center is a tax-exempt corporation ("other than private foundation") under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code for revenue generated from its exempt purpose activities. However, the Center remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption.

ASC topic 740, *Income Taxes*, prescribed a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on de-recognition, classification, interest and penalties, disclosure, and transition. Management believes that no such uncertain tax positions existed for the Center, as of June 30, 2017, or as of June 30, 2016. Tax years 2013 through 2017 remain subject to examination by taxing authorities.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of, as of the following year-end dates:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
School Districts	\$ 83,684	\$109,812
Regional Centers	38,379	35,589
Past due private pay	<u>13,076</u>	<u>13,725</u>
	<u>\$135,139</u>	<u>\$159,126</u>

Contributions receivable consisted of the remaining amount due on a grant received totaling \$145,000. \$50,000 was received during the year ended June 30, 2017, with the remaining \$95,000 to be received in two \$47,500 installments by June 30, 2018, and June 30, 2019, respectively.

See accompanying independent auditors' report.

THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 4. INVESTMENTS

Investments consisted of, as of the following year-end dates:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Certificates of deposit with maturity dates of longer than one year	<u>\$250,829</u>	<u>\$259,034</u>

Investment income consisted of, for the years ended:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Interest and dividends	\$5,900	\$ 5,448
Realized gain (loss) on sale of securities	<u>(120)</u>	<u>951</u>
	<u>\$5,780</u>	<u>\$ 6,399</u>

NOTE 5. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

No payments were made during the years ended June 30, 2017, or June 30, 2016, for interest or income taxes. Securities were donated with a fair market value of \$53,458 on the date of donation.

NOTE 6. CONCENTRATIONS OF RISKS

Financial institutions that potentially subject the Center to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Center places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit of \$250,000. The Center did not exceed the limit of this coverage as of June 30, 2017, and exceeded the limit by \$9,034 as of June 30, 2016. The Center does not anticipate nonperformance by the institutions. No FDIC protection exists for brokerage account balances.

As of June 30, 2017, accounts receivable consisted of thirty-three accounts, totaling \$135,139. Among those accounts, two totaled \$58,878, constituting 44% of the total. Each exceeded 10% of the total accounts receivable balance, but represented payments due from government entities whereby services to be provided were based on contractual arrangements. No allowance for uncollectible accounts has been established, as substantially all amounts due, were subsequently received.

As of June 30, 2016, accounts receivable consisted of thirty-five accounts, totaling \$159,126. Among those accounts, four totaled \$96,930, constituting 61% of the total. Each of the four exceeded 10% of the total accounts receivable balance, but represented payments due from government entities whereby services to be provided were based on contractual arrangements. No allowance for uncollectible accounts has been established, as substantially all amounts due, were subsequently received.

See accompanying independent auditors' report.

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 7. NET ASSETS

Net assets consisted of, as of the following year-end dates:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Unrestricted net assets:		
Undesignated	\$ 918,184	\$ 964,406
Board designated reserve	500,000	500,000
Net investment in property and equipment	<u>530,886</u>	<u>411,694</u>
Total unrestricted net assets	<u>\$1,949,070</u>	<u>\$1,876,100</u>

NOTE 8. OPERATING LEASES

The Center is committed under a non-cancelable lease agreement for the main facility. The lease is schedule to expire August 31, 2022. The Center also leased modular buildings for a portion of the year ended June 30, 2017. Rent expenses were \$102,555 for the year ended June 30, 2017, and \$107,044 for the year-ended June 30, 2016.

Future minimum payments under non-cancelable operating leases are:

	<u>School Facility</u>
Year ending June 30, 2018	\$ 73,440
Year ending June 30, 2019	73,440
Year ending June 30, 2020	73,440
Year ending June 30, 2021	73,440
Year ending June 30, 2022	73,440
Thereafter	<u>12,240</u>
	<u>\$379,440</u>

See accompanying independent auditors' report.

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 9. PRIOR YEAR SUMMARIZED COMPARATIVE DATA

The financial statements include, certain prior-year summarized, comparative, information in total, but does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

NOTE 10. ACCRUED VACATION

The Center provides vacation compensation benefits under a personnel policy adopted in 2002 and revised in 2010. Among the significant provisions of the policy are: (1) Vacation accrued on a daily basis for regular full-time employees (those employed 32 hours or more per week) once the employee has successfully completed the probationary period. (2) Vacation days are accrued based on the following vested time of employment for each full time employee that is not in a position as a director.

Vested years 1 through 5 receives 10 days
Vested years 6 through 9 receives 15 days
Vested years 10 through 19 receives 20 days
Vested years 20 and beyond receives 25 days

(3) Directors receive five days vacation in addition to the schedule of vested time shown above. (4) Vacation time will not accrue during any leave of absence. (5) Upon termination of employment for any reason, employees are paid for all accrued unused vacation hours. Beginning January 1, 2015, accrued vacation for any one employee may not exceed 20 days or 150% of his or her annual accrued vacation.

Accrued vacation expense was \$64,129 and \$67,737 as of June 30, 2017, and June 30, 2016, respectively. These amounts are included in current liabilities as of those dates.

NOTE 11. RETIREMENT PLAN

On January 1, 2016, the Center adopted a 401(k) Qualified Retirement Plan. All employees working at least 1040 hours per year are eligible to participate. The plan permits employees to make voluntary contributions to the plan up to 100% of their eligible compensation or the maximum amount allowed by law. The Center matches employee contributions at 25%, up to 6% of their eligible compensation, starting in the second year of their employment. For the year ended June 30, 2017, the Center contributed a total of \$9,145 to the plan. For the year ended June 30, 2016, the Center contributed \$9,644.

See accompanying independent auditors' report.

**THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
SANTA ANA, CALIFORNIA**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016**

NOTE 12. SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB passed ASU 2016-14, *Not-for-Profit Entities (Topic 958)*. The main provisions of this update, which amend the requirements for financial statements and notes in Topic 958, Not-for-Profit entities, which are anticipated to impact the Center require a not-for-profit to:

- 1) Present net assets and the changes in net assets for two classes of net assets, net assets with donor restrictions and net assets without donor restrictions, rather than for the currently required three classes.
- 2) Provide enhanced disclosures regarding: the amounts and purposes of governing board designations that result in self-imposed limits on the use of resources, the composition of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative information that communicates how the not-for-profit manages its liquid resources available to meet cash needs within one year of the balance sheet date, and the methods used to allocate costs among program and support functions.

This amendment is effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Early application of the amendments in this update is permitted. The amendments in this update should be applied on a retrospective basis in the year that the update is first applied. The Center is currently evaluating the impact of this new accounting standard on the financial statements.

NOTE 13. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has evaluated subsequent events through October 17, 2017, the date the financial statements were available to be issued.

See accompanying independent auditors' report.