

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

**FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

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JUNE 30, 2019 AND 2018**

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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, 2019, 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, 2018, financial statements, and in our report dated October 25, 2018, 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, 2019, 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 23, 2019

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

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018**

ASSETS	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Current Assets:		
Cash and cash equivalents	\$1,641,001	\$1,446,019
Investments in certificates of deposit	503,698	252,332
Investments in municipal bonds	134,814	161,922
Accounts receivable	190,234	196,732
Contributions receivable	5,840	47,500
Other receivables	467	1,811
Accrued interest	1,375	4,080
Prepaid expenses	<u>37,589</u>	<u>16,280</u>
Total current assets	\$2,515,018	\$2,126,676
Property and Equipment:		
Buildings and improvements	121,206	121,206
Leasehold improvements	329,967	374,551
Furniture, equipment, and software	234,905	246,163
Vehicles	<u>58,853</u>	<u>58,853</u>
Total property and equipment	744,931	800,773
Accumulated depreciation and amortization	(349,859)	(332,550)
Net property and equipment	<u>395,072</u>	<u>468,223</u>
 TOTAL ASSETS	 <u>\$2,910,090</u>	 <u>\$2,594,899</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 20,991	\$ 32,314
Accrued payroll and payroll taxes payable	78,995	78,241
Accrued vacation payable	90,203	84,174
Accrued pension plan payable	5,353	4,605
Deferred revenue	4,000	27,482
Other current liabilities	<u>2,056</u>	<u>4,337</u>
Total current liabilities	<u>201,598</u>	<u>231,153</u>
Net Assets:		
Without donor restrictions	<u>2,708,492</u>	<u>2,363,746</u>
Total net assets	<u>2,708,492</u>	<u>2,363,746</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$2,910,090</u>	 <u>\$2,594,899</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, 2019 WITH SUMMARIZED TOTALS FOR THE
YEAR ENDED JUNE 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total June 30, 2019</u>	<u>Totals June 30, 2018</u>
REVENUES				
Revenues and Other Support:				
Program fees	\$1,621,035	\$ 0	\$1,621,035	\$1,706,126
Individual and group donors	342,953	28,960	371,913	303,266
Commercial organization donors	98,063	7,498	105,561	83,479
Foundation donors	79,697	426,528	506,225	523,735
In-kind contributions	0	0	0	14,895
Legacies and bequests	95,409	0	95,409	250,000
United Way	1,271	0	1,271	1,178
Special events	430,142	0	430,142	365,829
Investment revenue earned	18,813	0	18,813	13,108
Investment securities contributed	58,919	0	58,919	318,585
Net assets released from restrictions	<u>462,986</u>	<u>(462,986)</u>	<u>0</u>	<u>0</u>
Total revenues and other support	3,209,288	0	3,209,288	3,580,201
 EXPENSES				
Functional Expenses:				
Program services	2,417,595	0	2,417,595	2,683,302
Support Services:				
Management and general	171,382	0	171,382	181,127
Fundraising	188,771	0	188,771	226,959
Special events	<u>86,794</u>	<u>0</u>	<u>86,794</u>	<u>74,137</u>
Total functional and support service expenses	2,864,542	0	2,864,542	3,165,525
 CHANGE IN NET ASSETS				
Increase (decrease) in net assets	344,746	0	344,746	414,676
Net assets, as of the beginning of the year	<u>2,363,746</u>	<u>0</u>	<u>2,363,746</u>	<u>1,949,070</u>
Net assets, as of the end of the year	<u>\$2,708,492</u>	<u>0</u>	<u>\$2,708,492</u>	<u>\$2,363,746</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, 2019 WITH SUMMARIZED TOTALS FOR THE
YEAR ENDED JUNE 30, 2018**

<u>EXPENSES BY FUNCTION</u>	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>			<u>Totals June 30, 2019</u>	<u>Totals June 30, 2018</u>
	Early Intervention and Education	Management and General	Fundraising	Special Events			
Salaries	\$1,633,041	\$ 71,872	\$ 89,840	\$ 0		\$1,794,753	\$1,974,924
Payroll taxes	122,386	16,440	4,555	0		143,381	152,705
Employee benefits	158,161	5,602	8,187	0		171,950	208,557
Auto and travel	45,154	22	382	0		45,558	47,608
Bad debt	0	0	0	0		0	5,206
Bank charge and credit card fees	4,525	4,259	13,325	0		22,109	16,646
Depreciation and amortization	66,444	2,920	3,651	0		73,015	79,688
Education supplies	12,867	0	0	0		12,867	16,220
Events	4,809	4,625	157	86,794		96,385	81,993
Facility leases	72,058	6,215	5,148	0		83,421	77,977
Field trips	1,834	0	0	0		1,834	2,029
Food and consumables	13,161	301	297	0		13,759	20,082
Insurance	26,267	1,155	1,443	0		28,865	22,101
Legal and accounting	3,778	9,943	0	0		13,721	21,211
Loss on disposal of assets	0	136	0	0		136	0
Meetings	1,719	1,841	1,425	0		4,985	2,398
Office expense	14,383	5,243	13,233	0		32,859	39,684
Payroll service fees	6,966	306	383	0		7,655	10,448
Peer buddies and mentoring	330	0	0	0		330	3,759
Program consulting services	112,011	0	16,200	0		128,211	176,022
Promotion	682	10	24,969	0		25,661	41,424
Repairs and maintenance	52,730	3,251	3,414	0		59,395	83,698
Staff development	8,821	34,655	239	0		43,715	21,178
Substitute teachers	12,463	0	0	0		12,463	19,102
Telephone	20,192	1,350	1,036	0		22,578	14,585
Utilities	22,813	1,236	887	0		24,936	26,280
Total expenses by function	<u>\$2,417,595</u>	<u>\$ 171,382</u>	<u>\$ 188,771</u>	<u>\$86,794</u>		<u>\$2,864,542</u>	<u>\$3,165,525</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
YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 344,746	\$ 414,676
Non-cash items included in change in net assets:		
Revenue from contributed securities	(58,919)	(318,585)
Realized and unrealized gain on sale of securities	(2,130)	(2,267)
Depreciation and amortization	73,015	79,688
Bad debt expense	0	5,206
Loss on disposal of assets	136	0
Changes in operating assets and liabilities		
Decrease in accounts receivable	6,498	(66,799)
Decrease in other receivables	1,344	1,491
Decrease (increase) in accrued interest	2,705	(4,080)
Increase in prepaid expenses	(21,309)	(2,047)
Decrease in contributions receivable	41,660	47,500
Increase (decrease) in accounts payable	(11,323)	13,577
Increase in accrued expenses	7,531	17,973
Decrease in deferred revenue	(23,482)	(36,667)
Increase (decrease) in other current liabilities	(2,281)	3,543
Net cash provided by operating activities	<u>358,191</u>	<u>153,209</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Reinvested dividends and interest	0	(1,635)
Proceeds from sales of donated securities	88,157	159,062
Investments in certificate of deposit	(251,366)	0
Payments for purchases of fixed assets	<u>0</u>	(17,025)
Net cash provided by (used in) investing activities	<u>(153,209)</u>	<u>140,402</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
Net increase (decrease) in cash and cash equivalents	194,982	293,611
Cash and cash equivalents, as of the beginning of the year	<u>1,446,019</u>	<u>1,152,408</u>
Cash and cash equivalents, as of the end of the year	<u>\$1,641,001</u>	<u>\$1,446,019</u>
SUPPLEMENTAL INFORMATION		
Cash paid for income taxes	\$ 0	\$ 0
Cash paid for interest	\$ 0	\$ 0

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, 2019 AND 2018**

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 months to second grade) 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. The future of Preschool to grade 2 programming affecting less than 10% of total students served is in question and will affect services provided. Decreased fee revenue will likely be accompanied by an equal to or greater than offset in workforce and other reductions in expenses.

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.

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, 2019 AND 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for program service fees. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

Contributions Receivable

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

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.

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, 2019 AND 2018

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

We record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Revenue and Revenue Recognition

General support, including pledges, as well as any other unconditional promises to give, are recognized as revenue in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Special event revenues are recognized when earned, whereas expenses are recognized when incurred.

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.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Center. Fundraising costs are expenses as incurred, even though they may result in contributions received in future years. The Center generally does not conduct its fundraising activities in conjunction with its other activities.

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, 2019 AND 2018**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Center is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(c)(3) and California Code Section 23701d, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3). The Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. We have determined that the Center is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Center's income tax filings are subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Center believes that it is no longer subject to examinations for the years prior to 2015.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts.

NOTE 3. ACCOUNTS RECEIVABLE

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
School Districts	\$ 123,507	\$148,246
Regional Centers	52,717	40,751
Past due private pay	<u>14,010</u>	<u>7,735</u>
	<u>\$ 190,234</u>	<u>\$196,732</u>

As of June 30, 2019, there was no allowance for doubtful accounts as all amounts were deemed to be fully collectable.

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, 2019 AND 2018**

NOTE 4. INVESTMENTS

Investments are required to be reported at fair market value. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure for value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 are described as follows:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

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

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The assets measured at fair value are as follows:

	June 30, 2019			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 503,698	\$ 0	\$503,698	\$ 0
Municipal Bonds	<u>134,814</u>	<u>134,814</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 638,512</u>	<u>\$ 134,814</u>	<u>\$503,698</u>	<u>\$ 0</u>
	June 30, 2018			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 252,332	\$ 0	\$252,332	\$ 0
Municipal Bonds	<u>161,922</u>	<u>161,922</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 414,254</u>	<u>\$ 161,922</u>	<u>\$252,332</u>	<u>\$ 0</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, 2019 AND 2018

NOTE 4. INVESTMENTS (CONTINUED)

Investment income consisted of, for the years ended:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Interest and dividends	\$ 16,683	\$ 10,832
Realized and unrealized gains (losses)	<u>2,130</u>	<u>2,276</u>
	<u>\$ 18,813</u>	<u>\$ 13,108</u>

NOTE 5. 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 this limit as of June 30, 2019 or June 30, 2018. The Center does not anticipate nonperformance by the institutions. No FDIC protection exists for brokerage account balances.

As of June 30, 2019, accounts receivable consisted of twenty-eight accounts, totaling \$190,234. Among those accounts, two totaled \$99,147, constituting 50% 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, 2018, accounts receivable consisted of thirty-five accounts, totaling \$196,732. Among those accounts, two totaled \$93,922, constituting 47% 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.

NOTE 6. NET ASSETS

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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Without donor restrictions:		
Undesignated	\$1,813,420	\$1,395,523
Board designated reserve	500,000	500,000
Net investment in property and equipment	<u>395,072</u>	<u>468,223</u>
Total net assets without donor restrictions	<u>\$2,708,492</u>	<u>\$2,363,746</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, 2019 AND 2018

NOTE 7. OPERATING LEASES

The Center is committed under a non-cancelable lease agreement for the main facility. The lease is scheduled to expire August 31, 2021. The Center also leased a small modular space under a month to month agreement. Rent expenses were \$83,421 for the year ended June 30, 2019, and \$77,966 for the year-ended June 30, 2018.

Future minimum payments under the non-cancelable operating lease is:

	<u>School Facility</u>
Year ending June 30, 2020	108,000
Year ending June 30, 2021	120,000
Year ending June 30, 2022	<u>20,000</u>
	<u>\$ 248,000</u>

NOTE 8. 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, 2018, from which the summarized information was derived.

NOTE 9. RETIREMENT PLAN

On January 1, 2016, the Center adopted a 401(k) Qualified Retirement Plan. All employees working at least 1,040 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, 2019, the Center contributed a total of \$17,045 to the plan. For the year ended June 30, 2018, the Center contributed \$7,548.

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, 2019 AND 2018**

NOTE 10. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$1,641,001
Investments in certificates of deposit	503,698
Investments in municipal bonds	134,814
Accounts Receivable	196,074
Other receivables	<u>467</u>
 Total financial assets	 <u>\$2,476,054</u>

The Center occasionally receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Center manages its liquidity with the principle of maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The Center's expenses, excluding special events, average approximately \$231,000 per month, and therefore the Center has sufficient liquidity reserves to fund approximately eleven months operations.

NOTE 11. SPECIAL EVENTS

During the year ended June 30, 2019, the Center hosted three special events designed to both raise funds and awareness of the Center. These activities included the Dr. Frank Villalobos golf tournament, Destination Independence 5k walk, and Vision Beyond Sight dinner event. The gross amounts earned from each of these events was as follows:

Dr. Frank Villalobos Golf Tournament	\$ 89,045
Destination Independence 5k Walk	143,244
Vision Beyond Sight Dinner Event	<u>197,853</u>
	<u>\$430,142</u>

NOTE 12. FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

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

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 13. ACCOUNTING PRONOUNCEMENTS

Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Center is currently evaluating the effect the provisions of this ASU will have on the financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB issued ASU 2015-14 that deferred the effective date for the Organization until annual periods beginning after December 15, 2018. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. The Center is currently evaluating the effect the provisions of this ASU will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 15, 2019. The Center is currently evaluating the effect the provisions of this ASU will have on the financial statements.

New Accounting Pronouncements Adopted in Current Year

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. The Center adopted the provisions of this new standard during the year ended June 30, 2019. The primary change includes presenting two classes of net assets versus the three categories previously required. The standard also provides for enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity and expenses by both natural and functional classification. This standard has been retrospectively applied to the prior period presented with certain transition provisions.

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, 2019 AND 2018

NOTE 14. 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 23, 2019, the date the financial statements were available to be issued and has determined there were no material subsequent events that required recognition or additional disclosure in these financial statements.

See accompanying independent auditors' report.