

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Report on Audited Financial Statements

Years Ended June 30, 2015 and June 30, 2014

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

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Years Ended June 30, 2015 and June 30, 2014

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on Financial Statements**

We have audited the accompanying financial statements of Blind Children's Learning Center of Orange County, Inc. (a California non-profit organization), which comprise the statement of financial position as of June 30, 2015, 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, Incorporated's June 30, 2014, financial statements, and in our report dated October 15, 2014, we expressed an unqualified (unmodified) opinion on those 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.

**Auditor's 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 of material misstatement.

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 Blind Children's Learning Center of Orange County, Inc. as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, consisting of a stylized 'J' followed by 'G Davidson' and a large, circular flourish.

James G. Davidson, CPA, CGFM, CFE  
J G Davidson and Company  
Westminster, California  
October 21, 2015

**BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.**

Statement of Financial Position

June 30, 2015 with Summarized Totals for June 30, 2014

<b>ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals June 30, 2015</u>	<u>Totals June 30, 2014</u>
Current Assets:				
Cash and cash equivalents	\$ 1,381,338	-	\$ 1,381,338	\$ 1,469,410
Investments in certificates of deposit	257,677	-	257,677	256,108
Investments in marketable securities and limited partnership	-	-	-	33,657
Accounts receivable	183,308	-	183,308	119,205
Employee loans receivable	675	-	675	250
Prepaid insurance - health	-	-	-	854
Prepaid insurance - liability	4,859	-	4,859	7,555
Prepaid insurance - workers' compensation	4,718	-	4,718	3,350
Deferred charges	1,726	-	1,726	-
Total Current Assets	<u>1,834,301</u>	<u>-</u>	<u>1,834,301</u>	<u>1,890,389</u>
Property and Equipment:				
Leasehold improvements	540,291	-	540,291	420,991
Furniture, equipment, and software	321,326	-	321,326	314,695
Vehicles	17,200	-	17,200	17,200
Total Property and Equipment	<u>878,817</u>	<u>-</u>	<u>878,817</u>	<u>752,886</u>
Accumulated depreciation and amortization	(631,164)	-	(631,164)	(597,247)
Net Property and Equipment	<u>247,653</u>	<u>-</u>	<u>247,653</u>	<u>155,639</u>
Total Assets	<u><u>\$ 2,081,954</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,081,954</u></u>	<u><u>\$ 2,046,028</u></u>

See independent auditor's report and notes to financial statements.

**BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.**

Statement of Financial Position (continued)

June 30, 2015 with Summarized Totals for June 30, 2014

<b>LIABILITIES AND NET ASSETS</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals June 30, 2015</u>	<u>Totals June 30, 2014</u>
<b>Current Liabilities:</b>				
Accounts payable	\$ 49,989	-	\$ 49,989	\$ 24,099
Accrued payroll and payroll taxes payable	75,756	-	75,756	73,634
Accrued vacations payable	54,178	-	54,178	44,742
Accrued pension plan payable	2,069	-	2,069	2,020
Deferred revenue	10,178	-	10,178	88,945
Other current liabilities	2,281	-	2,281	1,842
Total Current Liabilities	<u>194,451</u>	<u>-</u>	<u>194,451</u>	<u>235,282</u>
<b>Net Assets:</b>				
Unrestricted	1,887,503	-	1,887,503	1,803,930
Temporarily restricted	-	-	-	6,816
Total Net Assets	<u>1,887,503</u>	<u>-</u>	<u>1,887,503</u>	<u>1,810,746</u>
Total Liabilities and Net Assets	<u>\$ 2,081,954</u>	<u>\$ -</u>	<u>\$ 2,081,954</u>	<u>\$ 2,046,028</u>

See independent auditor's report and notes to financial statements.

**BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.**

Statement of Activities

Year Ended June 30, 2015 with Summarized Totals for the Year Ended June 30, 2014

<b>REVENUES</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals June 30, 2015</u>	<u>Totals June 30, 2014</u>
Revenues and Other Support:				
Program fees	\$ 1,089,142	-	\$ 1,089,142	\$ 1,123,552
Individual and group donors	348,348	-	348,348	325,787
Commercial organization donors	65,680	-	65,680	90,257
Foundation donors	527,995	-	527,995	401,900
Legacies and bequests	140,000	-	140,000	534,247
United Way	3,209	-	3,209	3,684
Event revenue and support	246,669	-	246,669	249,593
Investment revenue earned	16,193	-	16,193	16,362
Investment securities contributed	122,810	-	122,810	8,119
Other revenue	13,337	-	13,337	1,581
Total Revenues and Other Support	<u>2,573,383</u>	<u>-</u>	<u>2,573,383</u>	<u>2,755,082</u>
<b>EXPENSES</b>				
Functional Expenses:				
Program services	2,119,951	\$ 6,816	2,126,767	2,095,438
Supporting services / management and general	145,831	-	145,831	150,597
Supporting services / fund-raising	224,028	-	224,028	199,255
Total Functional Expenses	<u>2,489,810</u>	<u>6,816</u>	<u>2,496,626</u>	<u>2,445,290</u>
<b>CHANGE IN NET ASSETS</b>				
Increase (decrease) in net assets	83,573	(6,816)	76,757	309,792
Net assets, as of the beginning of the year	1,803,930	6,816	1,810,746	1,500,954
Net assets, as of the end of the year	<u>\$ 1,887,503</u>	<u>\$ -</u>	<u>\$ 1,887,503</u>	<u>\$ 1,810,746</u>

See independent auditor's report and notes to financial statements.

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Statement of Functional Expenses

Year Ended June 30, 2015 with Summarized Totals for the Year Ended June 30, 2014

<b>EXPENSES BY FUNCTION</b>	<b>PROGRAM</b>			<b>Totals June 30, 2015</b>	<b>Totals June 30, 2014</b>
	<b>SERVICES</b>	<b>SUPPORTING SERVICES</b>			
	Early Intervention and Education	Management and General	Fund-raising		
Administrative salaries	\$ 1,183,878	\$ 111,423	\$ 97,496	\$ 1,392,797	\$ 1,497,397
Administrative payroll taxes	97,154	9,144	8,001	114,299	123,508
Administrative employee benefits	130,376	12,271	10,737	153,384	155,401
Auto and travel	50,955	-	721	51,676	66,838
Bank service charges	9,345	1,752	584	11,681	4,934
Depreciation and amortization	32,221	1,696	-	33,917	32,538
Education supplies	9,163	-	-	9,163	5,947
Events	11,896	-	59,954	71,850	58,233
Facility leases	96,848	1,500	1,600	99,948	88,776
Field trips	1,696	-	-	1,696	1,305
Food and consumables	15,386	-	-	15,386	12,299
Insurance	18,750	1,042	1,042	20,834	11,072
Legal and accounting	12,713	401	269	13,383	11,358
Meetings	2,657	552	180	3,389	2,056
Miscellaneous	1,574	1,655	1,498	4,727	3,293
Office expense	25,970	2,444	2,139	30,553	20,053
Payroll service fees	6,542	616	539	7,697	5,087
Peer buddies and mentoring	6,512	-	-	6,512	3,360
Program consulting services	197,054	-	31,620	228,674	156,438
Promotion	23,514	-	5,878	29,392	33,042
Repairs and maintenance	89,353	500	500	90,353	78,050
Staff development	18,244	-	435	18,679	6,403
Substitute teachers	31,252	-	-	31,252	21,603
Taxes and licenses	2,400	-	-	2,400	2,622
Telephone	9,631	535	535	10,701	6,683
Utilities	39,400	300	300	40,000	22,304
Volunteer services	2,283	-	-	2,283	14,690
<b>Total Expenses by Function</b>	<b>\$ 2,126,767</b>	<b>\$ 145,831</b>	<b>\$ 224,028</b>	<b>\$ 2,496,626</b>	<b>\$ 2,445,290</b>

See independent auditor's report and notes to financial statements.



**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Statement of Cash Flows

Year Ended June 30, 2015 and June 30, 2014

	June 30, 2015	June 30, 2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 76,757	\$ 309,792
Adjustments to reconcile increase in net assets to net cash (used for) provided by operating activities:		
Revenue from contributed securities	(122,810)	(8,119)
Realized (gain) on sale of securities	(4,099)	(1,180)
Unrealized gain on securities	-	(8,314)
Depreciation and amortization	33,917	32,538
(Increase) decrease in accounts receivable	(64,103)	53,042
(Increase) decrease in prepaid expenses	2,182	9,205
(Increase) decrease in deferred charges	(1,726)	3,784
Increase (decrease) in accounts payable	25,890	(13,568)
Increase (decrease) in accrued expenses	11,607	(9,976)
Increase (decrease) in deferred revenue	(78,767)	77,249
Increase (decrease) in other current liabilities	439	(14,225)
Net Cash (Used for) Provided by Operating Activities	(120,713)	430,228
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Maturing of certificates of deposit	-	239,475
Interest reinvested in certificate of deposit	1,569	-
Sale of marketable securities and limited partnership	157,428	1,943
Payments for purchases of leasehold improvements, equipment, and furniture	(125,931)	(53,890)
Net Cash Provided by Investing Activities	33,066	187,528
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loans made to employees	(425)	-
Loan repayments received from employees	-	450
Net Cash (Used for) Provided by Financing Activities	(425)	450
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		
Net (decrease) increase in cash and cash equivalents	(88,072)	618,206
Cash and cash equivalents, as of the beginning of the year	1,469,410	851,204
Cash and cash equivalents, as of the end of the year	\$ 1,381,338	\$ 1,469,410

See independent auditor's report and notes to financial statements.

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Notes to Financial Statements

Years Ended June 30, 2015 and June 30, 2014

**NOTE 1 – NATURE OF ORGANIZATION**

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. This 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 – SUMMARY OF 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, equity securities, and an interest in a real estate limited partnership. 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 activities. Donated investments are recorded at fair value on the date of donation and thereafter carried in accordance with the above provisions.

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Notes to Financial Statements

Years Ended June 30, 2015 and June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Financial Statement Presentation*** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC Topic 958-205, the Center is required to report information regarding its financial position and activities according to three classes of net assets: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

- a) *Unrestricted net assets* are those currently available for use in the operations of the Center under the direction of the Board.
- b) *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.
- c) *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 generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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

***Leasehold Improvements, Equipment, Furniture, and Vehicles*** - 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 5 to 20 years. The Center capitalizes all assets acquired through purchase or donation with a cost or fair value of greater than \$500, which is considered tangible personal or real property.

***Donated Materials and Services*** - If materials 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 of deriving their value.

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Notes to Financial Statements

Years Ended June 30, 2015 and June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 restrictions.

Grants represent contributions if the resource 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 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. 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.

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Notes to Financial Statements  
Years Ended June 30, 2015 and June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

ASC topic 740, *Income Taxes*, prescribes 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 Corporation, as of June 30, 2015, or as of June 30, 2014. Tax years 2012 through 2014 remain subject to examination by taxing authorities.

**NOTE 3 – CASH**

Cash and cash equivalents consisted of demand deposits and time deposits as of June 30, 2015, and as of June 30, 2014.

**NOTE 4 – ACCOUNTS RECEIVABLE**

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
School Districts	\$ 97,784	\$ 86,413
Regional Centers	77,017	27,515
Past due private pay	<u>8,507</u>	<u>5,277</u>
	<u>\$ 183,308</u>	<u>\$ 119,205</u>

These receivables are deemed fully collectible, therefore no allowance for uncollectible accounts was provided for, as of June 30, 2015, or as of June 30, 2014.

**NOTE 5 – INVESTMENTS**

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Certificates of deposits with maturity dates of longer than one year	\$ 257,677	\$ 256,108
Equity securities	-	18,860
Limited partnership	<u>-</u>	<u>14,797</u>
	<u>\$ 257,677</u>	<u>\$ 289,765</u>

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Notes to Financial Statements  
Years Ended June 30, 2015 and June 30, 2014

**NOTE 5 – INVESTMENTS (continued)**

Investment income consisted of, for the years ended:

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Interest and dividends	\$ 12,094	\$ 6,368
Realized gain on sale of securities	4,099	1,180
Unrealized gains on securities	<u>-</u>	<u>8,814</u>
	<u>\$ 16,193</u>	<u>\$ 16,362</u>

**NOTE 6 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

No payments were made during the years-ended June 30, 2015, or June 30, 2014, for interest or income taxes.

**NOTE 7 – FAIR VALUE MEASUREMENTS**

The Center has adopted FASB ASC 820-10, *Fair Value Measurements*. FASB ASC 820-10, defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that maybe used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Notes to Financial Statements  
Years Ended June 30, 2015 and June 30, 2014

**NOTE 7 – FAIR VALUE MEASUREMENTS (continued)**

The table below presents the level within the fair value hierarchy at which investments are measured at June 30, 2015.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2015
Investments in Certificates of Deposit	\$ 257,677	-	-	\$ 257,677
Investments in Equity Securities	-	-	-	-
Investment in Limited Partnership	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 257,677</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 257,677</u></b>

The table below presents the level within the fair value hierarchy at which investments are measured at June 30, 2014.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observ- able Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of June 30, 2014
Investments in Certificates of Deposit	\$ 256,108	-	-	\$ 256,108
Investments in Equity Securities	18,860	-	-	18,860
Investment in Limited Partnership	<u>-</u>	<u>-</u>	<u>\$ 14,797</u>	<u>14,797</u>
<b>Total</b>	<b><u>\$ 274,968</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 14,797</u></b>	<b><u>\$ 289,765</u></b>

**BLIND CHILDREN'S LEARNING CENTER  
OF ORANGE COUNTY, INC.**

Notes to Financial Statements  
Years Ended June 30, 2015 and June 30, 2014

**NOTE 8 – CONCENTRATIONS OF RISK**

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 exceed the limit of this coverage by \$7,677 as of June 30, 2015, and by \$481,112 as of June 30, 2014. The Center does not anticipate nonperformance by the institutions. No FDIC protection exists for brokerage account balances.

As of June 30, 2015, accounts receivable consisted of twenty-six accounts, totaling \$183,308. Among those accounts, four, totaled \$146,721, constituting 80% 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 all amounts due, were subsequently received.

As of June 30, 2014, accounts receivable consisted of twenty-one accounts, totaling \$119,205. Among those accounts, four, totaled \$79,185, constituting 66% 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 all amounts due, were subsequently received.

**NOTE 9 – NET ASSETS**

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

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Unrestricted net assets:		
Undesignated	\$ 1,139,850	\$ 1,148,291
Board designated reserve	500,000	500,000
Net investment in property and equipment	<u>247,653</u>	<u>155,639</u>
Total unrestricted net assets	1,887,503	1,803,930
Temporarily restricted net assets:	-	6,816
Total net assets	<u>\$ 1,887,503</u>	<u>\$ 1,810,746</u>

**NOTE 10 – OPERATING LEASES**

The Center is committed under non-cancelable lease agreements for the main facility and for two mobile modular buildings. In most cases, management expects that, in the normal course of business, leases will be renewed or replaced by other leases. All current leases will expire before the end of August 2019. On September 1, 2014, the lease terms for the main facility were amended to a fixed monthly payment of \$6,070 through the end of August 2019. On May 3, 2015, the Center replaced one of the mobile modular with a more efficient one. Rent expenses were \$99,948 for the year-ended June 30, 2015, and \$88,776 for the year-ended June 30, 2014.



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Notes to Financial Statements  
Years Ended June 30, 2015 and June 30, 2014

**NOTE 10 – OPERATING LEASES (continued)**

Future minimum payments under non-cancelable operating leases are:

	School Facility	Modular Office Buildings	Total
Year Ending June 30, 2016	\$ 72,840	\$ 31,114	\$ 103,954
Year Ending June 30, 2017	72,840	31,114	103,954
Year Ending June 30, 2018	72,840	31,114	103,954
Year Ending June 30, 2019	72,840	31,114	103,954
Thereafter	<u>12,140</u>	<u>15,557</u>	<u>27,697</u>
	<u>\$ 303,500</u>	<u>\$ 140,013</u>	<u>\$ 443,513</u>

The Center also leases three multifunction copiers from Konica Minolta Business Solutions. The term of the lease was for 60 months, which commenced May 18, 2012. Total lease payments to be made, for the three machines, is \$873 per month, representing annual payments of \$10,476 for each of the years ended June 30, 2015 and June 30, 2014.

Future minimum lease payments are as follows:

Year Ending June 30, 2016	\$ 10,476
Year Ending June 30, 2017	<u>8,730</u>
	<u>\$ 19,206</u>

**NOTE 11 – 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, 2014, from which the summarized information was derived.

**NOTE 12 – 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 accrues 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:

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Notes to Financial Statements  
Years Ended June 30, 2015 and June 30, 2014

**NOTE 12 – ACCRUED VACATION (continued)**

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 \$54,178 and \$44,742 as of June 30, 2015, and June 30, 2014, respectively. These amounts are included in current liabilities as of those dates.

**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. Subsequent events have been evaluated through October 21, 2015, the date which the financial statements were available to be issued.