

THE BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY, INCORPORATED

FINANCIAL STATEMENTS
AND ACCOUNTANT'S REPORT

FOR THE YEARS ENDED
JUNE 30, 2010 AND 2009

DAVID A. HODGKINSON
CERTIFIED PUBLIC ACCOUNTANT

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Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
The Blind Children's Learning Center
Of Orange County, Incorporated

I have audited the accompanying statement of financial position of The Blind Children's Learning Center of Orange County, Inc., (a non-profit organization) as of June 30, 2010, and 2009, and the related statements of activities and cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's Management. My responsibility is to express an opinion on these financial statements, based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my 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, 2010, and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Orange, California
August 24, 2010

THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
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 STATEMENT OF FINANCIAL POSITION
 June 30, 2010 and 2009
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	UNRESTRICTED		RESTRICTED	TOTAL	
	2010	2009	2010	2010	2009
ASSETS					
Cash and Cash Equivalents	\$ 1,670,560	\$ 25,993	\$ 1,696,553	\$ 1,346,429	
Accounts Receivable	192,992	--	192,992	225,661	
Prepaid Expenses	5,742	--	5,742	5,160	
Investments	22,656	--	22,656	12,720	
Deposits	4,266	--	4,266	2,491	
Total Current Assets	<u>1,896,216</u>	<u>25,993</u>	<u>1,922,209</u>	<u>1,592,461</u>	
Fixed Assets:					
Leasehold Improvements	391,374	--	391,374	387,294	
Vehicles	44,200	--	44,200	44,200	
Furniture and Equipment	306,708	--	306,708	365,071	
Total	742,282	--	742,282	796,565	
Accumulated Depreciation	(560,723)	--	(560,723)	(581,543)	
Fixed Assets - Net	<u>181,559</u>	<u>--</u>	<u>181,559</u>	<u>215,022</u>	
Total Assets	<u>\$ 2,077,775</u>	<u>\$ 25,993</u>	<u>\$ 2,103,768</u>	<u>\$ 1,807,483</u>	
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts Payable	\$ 21,762	\$ --	\$ 21,762	\$ 33,436	
Individual Grants	--	25,993	25,993	36,983	
Accrued Payroll and Related Vacations	80,558	--	80,558	89,704	
	74,139	--	74,139	65,568	
Deferred Revenue	--	--	--	1,643	
Total Current Liabilities	<u>176,459</u>	<u>25,993</u>	<u>202,452</u>	<u>227,334</u>	
Net Assets	<u>1,901,316</u>	<u>--</u>	<u>1,901,316</u>	<u>1,580,149</u>	
Total Liabilities and Net Assets	<u>\$ 2,077,775</u>	<u>\$ 25,993</u>	<u>\$ 2,103,768</u>	<u>\$ 1,807,483</u>	

The Accompanying Notes Are an Integral Part of These Financial Statements

THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
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 STATEMENT OF ACTIVITIES
 For The Years Ended June 30, 2010 and 2009

SUPPORT, REVENUES AND SPECIAL EVENTS	TOTAL 2010	TOTAL 2009
Support:		
Individual and Group Donors	\$ 359,697	\$ 419,101
Commercial Organizations	76,184	110,672
Grants	1,954	16,546
Foundations	199,425	258,350
Legacies and Bequests	503,617	180,000
United Way	9,936	23,093
Charity Funding and In-Kind	2,135	895
Total Support	<u>1,152,948</u>	<u>1,008,657</u>
Revenues:		
Fee Revenues	1,543,400	1,737,040
Other Income	31,270	22,598
Total Revenues	<u>1,574,670</u>	<u>1,759,638</u>
Special Events—Net	<u>100,452</u>	<u>106,622</u>
Total Support, Revenues, and Special Events	<u>2,828,070</u>	<u>2,874,917</u>

EXPENSES

Program Services:		
Early Childhood Center	766,836	1,181,588
Infant Family Focus	221,894	295,449
Youth Outreach	546,665	710,653
Therapy Services (See Note 9)	368,525	—
Total Program Services	<u>1,903,920</u>	<u>2,187,690</u>
Support Services:		
Fund Development	253,338	262,282
Administration	349,645	353,970
Total Support Services	<u>602,983</u>	<u>616,252</u>
Total Expenses	<u>2,506,903</u>	<u>2,803,942</u>
Increase in Net Assets - Unrestricted	321,167	70,975
Net Asssits - Unrestricted Beginning of Year	<u>1,580,149</u>	<u>1,509,174</u>
Net Asssits - Unrestricted End of Year	<u>\$ 1,901,316</u>	<u>\$ 1,580,149</u>

The Accompanying Notes Are an Integral Part of These Financial Statements

THE BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY, INC.
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 STATEMENT OF CASH FLOWS
 For The Years Ended June 30, 2010 and 2009
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	TOTAL 2010	TOTAL 2009
<u>Cash Flows From Operations</u>		
Cash Receipts From:		
Support	\$ 1,152,948	\$ 1,008,657
Fees	1,576,069	1,782,777
Special Events	98,809	105,729
Other	21,334	24,662
Total	<u>2,849,160</u>	<u>2,921,825</u>
Cash Disbursements For:		
Payroll and Benefits	1,906,389	2,079,357
Income Taxes	-	-
Interest	-	-
All Other	579,660	685,738
Total	<u>2,486,049</u>	<u>2,765,095</u>
Net Cash Flows From Operations	<u>363,111</u>	<u>156,730</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of Property and Equipment - Net	(12,987)	(30,176)
Net Cash Flows From Investing Activities	<u>(12,987)</u>	<u>(30,176)</u>
<u>Cash Flows From Financing Activities</u>		
Net Cash Flows From Financing Activities	-	-
Net Change in Cash	350,124	126,554
Cash at Beginning of Period	<u>1,346,429</u>	<u>1,219,875</u>
Cash at End of Period	<u>\$ 1,696,553</u>	<u>\$ 1,346,429</u>
	<u>Reconciliation of Increase In Net Assets</u>	
	<u>To Net Cash Flows From Operations</u>	
Increase in Net Assets	\$ 321,167	\$ 70,975
Adjustment:		
Depreciation	46,450	38,846
Changes in Assets and Liabilities:		
Increase/Decrease in Accounts Receivable	32,669	45,737
Increase/Decrease in Other Current Assets	(12,293)	2,203
Increase/Decrease in Accounts Payable and Other Liabilities	(24,882)	(1,031)
Net Cash Flows From Operations	<u>\$ 363,111</u>	<u>\$ 156,730</u>

The Accompanying Notes Are an Integral Part of These Financial Statements

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

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL 2010	TOTAL 2009
	EARLY CHILDHOOD CENTER	INFANT FAMILY FOCUS	YOUTH OUTREACH	THERAPY SERVICES	FUND DEVELOP- MENT	ADMINIS- TRATION		
SALARIES	\$ 487,569	\$ 128,985	\$ 388,566	\$ 257,969	\$ 153,169	\$ 216,050	\$ 1,612,308	\$1,736,082
PAYROLL TAXES	32,464	9,904	29,163	17,470	10,042	38,518	137,561	136,203
EMPLOYEE BENEFITS	72,670	19,961	21,988	6,082	16,998	18,246	155,945	193,862
TOTAL SALARIES AND RELATED	572,703	158,850	439,717	281,521	180,209	272,814	1,905,814	2,066,147
STAFF DEVELOPMENT	5,479	988	794	428	3,293	9,043	20,025	15,955
MEETINGS	334	--	--	88	125	684	1,231	3,536
EDUCATION SUPPLIES	2,926	75	380	886	--	--	4,267	13,276
FIELD TRIPS	1,552	--	--	--	--	--	1,552	774
FOOD/CONSUMABLES	13,897	778	75	--	1,124	137	16,011	22,881
PROGRAM CONSULTANTS	5,796	44	41,310	35,782	--	--	82,932	87,402
FUNDRAISING CONSULTANTS	--	--	--	--	3,450	--	3,450	59,678
OFFICE EXPENSES	3,172	1,138	1,515	959	2,633	3,492	12,909	51,022
AUTO/TRAVEL	35,476	25,751	16,637	3,106	361	2,137	83,468	101,555
PROMOTIONAL	4,602	38	143	113	27,728	1,354	33,978	55,628
SUBSTITUTES	28,315	--	452	--	--	702	29,469	58,096
LEGAL AND ACCOUNTING	1,238	73	97	97	256	11,018	12,779	12,534
TELEPHONE	--	--	--	--	--	9,400	9,400	8,238
OTHER OPERATING EXPENSES	253	--	--	--	--	4,705	4,958	12,608
OCCUPANCY:								
UTILITIES	4,032	1,511	2,015	2,015	1,511	1,511	12,595	11,029
INSURANCE	7,404	2,776	3,701	3,701	2,776	2,776	23,134	18,421
REPAIRS AND MAINTENANCE	25,916	9,718	12,958	12,958	9,718	9,718	80,986	42,112
TAXES AND LICENSES	1,059	398	530	530	398	398	3,313	4,294
FACILITY LEASES	37,826	14,184	18,912	18,912	14,184	14,184	118,202	116,519
DEPRECIATION	14,856	5,572	7,429	7,429	5,572	5,572	46,430	42,237
TOTAL OPERATING EXPENSES	\$ 766,836	\$ 221,894	\$ 546,665	\$ 368,525	\$ 253,338	\$ 349,645	\$ 2,506,903	\$ 2,803,942

The Accompanying Notes Are an Integral Part of These Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2010 and 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Blind Children's Learning Center of Orange County, Inc. (The Center) was formed in 1962 as a not-for-profit corporation for the purpose of providing services for blind children and their families. The Center provides the following programs:

Early Childhood Center is an on-site preschool, which serves blind, visually-impaired, and deaf/blind children, ages six months to six years. Parents are invited to actively participate in this transition from home to school. Language, social skills, and independence blossom through a curriculum of monthly field trips, sensory motor activities, music, art, Braille, and computer activities. This state-accredited program offers individualized education for students in a unique, reverse-mainstream setting where fully-sighted children are incorporated into the program to act as peer models. Children who need extra assistance receive occupational therapy, speech therapy, and orientation and mobility training. Upon graduation, 90% of the program's graduates are prepared to enter public school kindergarten or first grade.

Youth Outreach program provides specialized instruction for blind and visually-impaired children who are attending public school (kindergarten through high school). To ensure success at this crucial stage, credentialed teachers of the visually-impaired visit local elementary and high schools to assist students, using Braille and other adapted materials in the classroom. Students in the Youth Outreach program receive the maximum benefit of mainstreaming while learning the specific skills necessary to function in a sighted world.

Infant Family Focus serves blind, visually-impaired, and deaf/blind infants (birth to three years old) who are too fragile to attend the on-site preschool program. Infant Development Specialists support parents who are adjusting to an infant with special needs by providing encouragement, education, bonding techniques, and training during the difficult months following their child's diagnosis of blindness.

Therapy Services brings together an expert team of Occupational Therapists, Speech Therapists, Counselors, the School Nurse, and a Doctor of Optometry to focus on the positive aspects of our children and their amazing potential. The team collaborates to assess, develop treatment plans, and provide services to ensure an integrated program for each child with visual impairment.

Financial Statement Presentation

The Center reports information regarding its financial position and activities, according to three classes of net assets (unrestricted net assets, temporarily-restricted net assets, and permanently-restricted net assets), based upon the existence or absence of donor-imposed restrictions.

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

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2010 and 2009

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally-accepted accounting principles.

Cash Equivalents

Cash equivalents consist of short-term, highly-liquid investments which are readily convertible into cash within ninety (90) days of purchase.

Contributions

All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily-restricted or permanently-restricted support that increases those net asset classes. When a temporary restriction expires, temporarily-restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fixed Assets

Property and equipment are recorded at cost or fair value for donated assets. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which ranges from 5 to 45 years. Maintenance and repairs are charged to expense, as incurred; major renewals and betterments are capitalized. Items under \$500 are not capitalized.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs, and supporting services benefited.

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 those estimates.

Income Taxes

The Center is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for Federal income taxes in the accompanying financial statements. In addition, The Center has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the current year, or for the prior year.

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

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2010 and 2009

(Continued)

2. CONCENTRATION OF CREDIT RISK

The Center maintains its cash funds in four banks and a credit union. Bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and credit union funds are insured by the National Credit Union Association (NCUA) up to \$100,000. At June 30, 2010, the Center's uninsured balances in these accounts totaled \$355,004; and at June 30, 2009, the Center's uninsured balances in these accounts totaled \$262,557.

The Center received approximately 55% of its revenues from School Contracts and Regional Centers and the balance from public sources for the 2010 year and approximately 60% for the 2009 year.

3. ACCOUNTS RECEIVABLE

At June 30, Accounts Receivable consisted of:

	<u>2010</u>	<u>2009</u>
School Districts	\$ 121,297	\$ 113,011
Regional Center	60,082	109,150
Other	11,613	3,500
	<u>\$ 192,992</u>	<u>\$ 225,661</u>

The Organization has experienced only minor losses on collection of accounts receivable and writes off any bad accounts to expense, when determined. Thus, there is no provision for bad accounts, and there are minor bad debts for the current period.

4. INVESTMENTS

The Center receives occasional donations of securities or other investments and records the donation at current market value. At financial statement date, The Center owned a small interest in a real estate partnership.

5. IN-KIND AND CHARITY FUNDING CONTRIBUTIONS

The Center does not recognize support, revenue, or expenses from services contributed by most volunteers, as the value of such services is not readily determinable. Substantial donated assets, identifiable services, and supply items are recorded at their fair value, as of the date of donation. Services and supply items are recorded if the value can be determined and would otherwise be purchased, if not for the donation. Assets donated this year, and included in Fixed Assets, totaled \$1,070, and for 2009 totaled \$2,200.

Also, The Center utilized a charity funding service, which converts donated items such as vehicles, boats, real estate, etc., to cash. The Center received \$135 in proceeds from this activity in the current year, and \$895 for the 2009 year.

6. EMPLOYEE BENEFITS

The Center provides compensation to employees for vacation and sick absences. Under a personnel policy, established in 2002, vacation benefits are accrued, as earned. An accrual of \$74,139 has been included for these employees' benefits, and for last year the accrual was \$67,336.

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

NOTES TO FINANCIAL STATEMENTS

For The Years Ended June 30, 2010 and 2009

(Continued)

6. EMPLOYEE BENEFITS: (Continued)

The Center has adopted a Tax Deferred Annuity Plan (a Section 403(b) plan) for employees who wish to participate. Electing employees determine their payroll amount to be deducted from their pay for salary deferral. The Center then matches 25% of the first 6% of deferral. All funds are held in the respective names of the employees.

The Center has no obligations for post-employment benefits.

7. INDIVIDUAL GRANTS – RESTRICTED FUNDS

The Center was awarded several Individual Grants this year from foundations. Funds are granted to specific children, or for other specific purposes, and all funds awarded are required to be spent as directed. Any funds not used for the purpose intended are to be returned to the Foundation.

The Center has elected to place these funds in a separate bank account, treat them as restricted funds, and not report them as support revenue.

8. OPERATING LEASES

The Center leases its main operating facilities under a lease, dated September 1, 1992, and renegotiated in 1996. The current lease agreement covers the period through August 31, 2009 and has been extended through August 31, 2010. The current agreement provides for a monthly base rent of \$5,300, per month, and escalates at the rate of \$1,200, per annum, through August, 2010. At statement date, negotiations are in process to renegotiate this lease. Last year the base rent was \$5,200, per month.

The Center also leases three mobile units for office and school space for monthly rents totaling \$4,567, per month. Total rent expense for the current year was \$118,202, and for last year was \$116,519. The remaining commitment is \$9,867 for the year ending June 30, 2011.

9. ACCOUNTING CHANGE

In September of the Year 2010, the Center began reporting a Program Service separately. While the Center has always provided Therapy Services to its children, the costs were not separately accounted for as a separate Program Service.