

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

**FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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

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JUNE 30, 2016 AND 2015**

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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, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to 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.

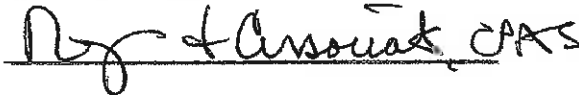
Opinion

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, 2016, 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.

Other Matter

The financial statements of The Blind Children's Learning Center of Orange County, Inc. as of June 30, 2015, and for the year then ended were audited by other auditors. Those auditors express an unqualified opinion on those financial statements in their report dated October 21, 2015.

ROJAS & ASSOCIATES, CPAs

A handwritten signature in black ink that reads "Rojas & Associates, CPAs". The signature is written in a cursive style and is positioned above a horizontal line.

Los Angeles, California
September 21, 2016

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

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

ASSETS	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Current Assets:		
Cash and cash equivalents	\$1,218,490	\$1,381,338
Investments in certificates of deposit	259,034	257,677
Accounts receivable	159,126	183,308
Other receivables	3,627	675
Prepaid expenses	<u>3,447</u>	<u>11,303</u>
Total current assets	\$1,643,724	\$1,834,301
Property and Equipment:		
Leasehold improvements	625,029	540,291
Furniture, equipment, and software	450,952	321,326
Vehicles	<u>17,200</u>	<u>17,200</u>
Total property and equipment	1,093,181	878,817
Accumulated depreciation and amortization	(681,497)	(631,164)
Net property and equipment	<u>411,684</u>	<u>247,653</u>
TOTAL ASSETS	<u>\$2,055,408</u>	<u>\$2,081,954</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 24,487	\$ 49,989
Accrued payroll and payroll taxes payable	68,097	75,756
Accrued vacation payable	67,737	54,178
Accrued pension plan payable	3,516	2,069
Deferred revenue	10,525	10,178
Other current liabilities	<u>4,946</u>	<u>2,281</u>
Total current liabilities	179,308	194,451
Net Assets:		
Unrestricted	<u>1,876,100</u>	<u>1,887,503</u>
Total net assets	<u>1,876,100</u>	<u>1,887,503</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,055,408</u>	<u>\$2,081,954</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, 2016 WITH SUMMARIZED TOTALS FOR THE
YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total June 30, 2016</u>	<u>Totals June 30, 2015</u>
REVENUES				
Revenues and Other Support:				
Program fees	\$1,192,196	\$ 0	\$1,192,196	\$1,089,142
Individual and group donors	375,052	300,000	675,052	352,855
Commercial organization donors	84,743	0	84,743	65,680
Foundation donors	336,260	0	336,260	527,995
In-kind contributions	57,800	0	57,800	0
Legacies and bequests	60,867	0	60,867	140,000
United Way	2,279	0	2,279	3,209
Special events	206,186	0	206,186	242,162
Investment revenue earned	6,399	0	6,399	16,193
Investment securities contributed	74,767	0	74,767	122,810
Other revenue	2,715	0	2,715	13,337
Net assets released from restrictions	<u>300,000</u>	<u>(300,000)</u>	<u>0</u>	<u>0</u>
Total revenues and other support	2,699,264	0	2,699,264	2,573,383
 EXPENSES				
Functional Expenses:				
Program services	2,277,649	0	2,277,649	2,068,061
Support Services:				
Management and general	158,882	0	158,882	145,831
Fundraising	209,656	0	209,656	224,028
Special events	<u>64,480</u>	<u>0</u>	<u>64,480</u>	<u>58,706</u>
Total functional expenses	2,710,667	0	2,710,667	2,496,626
 CHANGE IN NET ASSETS				
Increase (decrease) in net assets	(11,403)	0	(11,403)	76,757
Net assets, as of the beginning of the year	<u>1,887,503</u>	<u>0</u>	<u>1,887,503</u>	<u>1,810,746</u>
Net assets, as of the end of the year	<u>\$1,876,100</u>	<u>0</u>	<u>\$1,876,100</u>	<u>\$1,887,503</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, 2016 WITH SUMMARIZED TOTALS FOR THE
YEAR ENDED JUNE 30, 2015**

<u>EXPENSES BY FUNCTION</u>	<u>PROGRAM SERVICES</u>		<u>SUPPORTING SERVICES</u>			<u>Totals June 30, 2016</u>	<u>Totals June 30, 2015</u>
	<u>Early Intervention and Education</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Special Events</u>			
Salaries	\$1,457,714	\$ 99,390	\$ 99,390	\$ 0		\$1,656,494	\$1,392,797
Payroll taxes	117,352	8,001	8,001	0		133,354	114,299
Employee benefits	146,268	6,635	8,149	0		161,052	153,384
Auto and travel	57,274	29	429	0		57,732	51,676
Bank service charges	572	5,552	6,145	0		12,269	11,681
Depreciation and amortization	48,823	755	755	0		50,333	33,917
Education supplies	15,822	0	0	0		15,822	9,163
Events	15,999	0	0	64,840		80,479	71,850
Facility leases	103,832	1,606	1,606	0		107,044	99,948
Field trips	1,327	0	0	0		1,327	1,696
Food and consumables	10,573	502	4	0		11,079	15,386
Insurance	14,446	1,402	0	0		15,848	20,834
Legal and accounting	4,244	10,000	0	0		14,244	13,383
Meetings	403	5,073	275	0		5,751	3,389
Office expense	38,436	2,292	4,179	0		44,907	30,553
Payroll service fees	13,122	6,700	0	0		19,822	7,697
Peer buddies and mentoring	2,940	0	0	0		2,940	6,512
Program consulting services	111,162	400	47,500	0		159,062	228,674
Promotion	651	3,992	24,484	0		29,127	29,392
Repairs and maintenance	57,896	3,556	7,476	0		68,928	90,353
Staff development	15,313	0	0	0		15,313	18,679
Substitute teachers	12,288	0	0	0		12,288	31,252
Taxes and licenses	2,848	2,500	0	0		5,348	2,400
Telephone	10,096	156	156	0		10,408	10,701
Utilities	11,648	180	180	0		12,008	40,000
Volunteer services	<u>6,600</u>	<u>161</u>	<u>927</u>	<u>0</u>		<u>7,688</u>	<u>2,283</u>
Total expenses by function	<u>\$2,277,649</u>	<u>\$ 158,882</u>	<u>\$ 209,656</u>	<u>\$64,480</u>		<u>\$2,710,667</u>	<u>\$2,496,626</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, 2016 AND 2015**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	(\$ 11,403)	\$ 76,757
Non-cash items included in change in net assets:		
Revenue from contributed securities	(74,767)	(122,810)
Contributions of capitalized services	(57,800)	0
Proceeds from sale of donated securities	75,718	0
Realized gain on sale of securities	(951)	(4,099)
Depreciation and amortization	50,333	33,917
Changes in operating assets and liabilities		
(Increase) decrease in accounts receivable	24,182	(64,103)
Increase in other receivables	(2,952)	(425)
Decrease in prepaid expenses	7,856	2,182
Decrease in deferred charges	0	(1,726)
Increase (decrease) in accounts payable	(25,502)	25,890
Increase in accrued expenses	7,347	11,607
Increase (decrease) in deferred revenue	347	(78,767)
Increase in other current liabilities	<u>2,665</u>	<u>439</u>
Net cash used in operating activities	<u>(4,927)</u>	<u>(121,138)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest reinvested in certificate of deposit	(1,357)	(1,569)
Sale of marketable securities and limited partnership	0	160,566
Payments for purchases of leasehold improvements, equipment, and furniture	<u>(156,564)</u>	<u>(125,931)</u>
Net cash provided by (used in) investing activities	<u>(157,921)</u>	<u>33,066</u>
CHANGE IN CASH AND CASH EQUIVALENTS		
Net decrease in cash and cash equivalents	(162,848)	(88,072)
Cash and cash equivalents, as of the beginning of the year	<u>1,381,338</u>	<u>1,469,410</u>
Cash and cash equivalents, as of the end of the year	<u>\$1,218,490</u>	<u>\$1,381,338</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, 2016 AND 2015**

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 have consisted 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

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, 2016 AND 2015

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Reclassifications - Some items in the prior year financial statements were reclassified to conform to current presentation. Reclassifications had no effect on prior year net assets or changes in net assets.

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 3 to 20 years. The Center capitalized 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.

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, 2016 AND 2015

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 specified 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 resource provider received 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, 2016 AND 2015

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, 2016, or as of June 30, 2015. Tax years 2012 through 2016 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, 2016</u>	<u>June 30, 2015</u>
School Districts	\$109,812	\$ 97,784
Regional Centers	35,589	77,017
Past due private pay	<u>13,725</u>	<u>8,507</u>
	<u>\$159,126</u>	<u>\$183,308</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, 2016 AND 2015**

NOTE 4. INVESTMENTS

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Certificates of deposit with maturity dates of longer than one year	<u>\$259,034</u>	<u>\$257,677</u>

Investment income consisted of, for the years ended:

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Interest and dividends	\$5,448	\$12,094
Realized gain on sale of securities	<u>951</u>	<u>4,099</u>
	<u>\$6,399</u>	<u>\$16,193</u>

NOTE 5. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

No payments were made during the years-ended June 30, 2016, or June 30, 2015, for interest or income taxes. Securities were donated with a fair market value of \$74,767 on the date of donation. Capitalized services were donated with a fair market value of \$57,800.

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 exceed the limit of this coverage by \$9,034 as of June 30, 2016, and by \$7,677 as of June 30, 2015. The Center does not anticipate nonperformance by the institutions. No FDIC protection exists for brokerage account balances.

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 all amounts due, were subsequently received.

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.

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, 2016 AND 2015**

NOTE 7. NET ASSETS

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

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Unrestricted net assets:		
Undesignated	\$ 964,406	\$1,139,850
Board designated reserve	500,000	500,000
Net investment in property and equipment	<u>411,694</u>	<u>247,653</u>
Total unrestricted net assets	1,876,100	1,887,503
Temporarily restricted net assets:	<u>0</u>	<u>0</u>
Total net assets	<u>\$1,876,100</u>	<u>\$1,887,503</u>

NOTE 8. 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. Rent expenses were \$107,044 for the year ended June 30, 2016, and \$99,948 for the year-ended June 30, 2015.

Future minimum payments under non-cancelable operating leases are:

	<u>School Facility</u>	<u>Modular Office Building</u>	<u>Total</u>
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
Year ending June 30, 2020	<u>12,140</u>	<u>15,557</u>	<u>27,697</u>
	<u>\$230,660</u>	<u>\$108,899</u>	<u>\$339,559</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, 2016 and June 30, 2015.

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, 2016 AND 2015**

NOTE 8. OPERATING LEASES (CONTINUED)

Future minimum lease payments are as follows:

Year ending June 30, 2017	<u>\$8,730</u>
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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, 2015, 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 \$67,737 and \$54,178 as of June 30, 2016, and June 30, 2015, respectively. These amounts are included in current liabilities as of those dates.

NOTE 11. RETIREMENT PLAN

On January 1, 2016, the Center has 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. In 1997, the Center adopted a 403 (b) retirement plan which was terminated December 31, 2015. For the year ended June 30, 2016, the

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, 2016 AND 2015**

NOTE 11. RETIREMENT PLAN (CONTINUED)

Center contributed a total of \$9,644 to these plans. For the year ended June 30, 2015, the Center contributed \$8,990 to the 403 (b) plan.

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. Subsequent events have been evaluated through the date which the financial statements were available to be issued.

See accompanying independent auditors' report.