



BLIND CHILDREN'S LEARNING CENTER
OF ORANGE COUNTY

Financial Statements
With Independent Auditors' Report

June 30, 2012

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Blind Children's Learning Center of Orange County
Santa Ana, California

We have audited the accompanying statement of financial position of Blind Children's Learning Center of Orange County (the Center) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2012, 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.

Capin Crouse LLP

Brea, California
November 27, 2012

Except note 9 as to which the date is December 19, 2012.

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Statement of Financial Position

June 30, 2012

ASSETS:

Current assets:

Cash and cash equivalents	\$ 693,628
Accounts receivable	135,316
Prepaid expenses	<u>22,273</u>
Total current assets	851,217

Investments	549,429
Leasehold improvements, equipment and furniture- net	<u>140,599</u>

Total assets \$ 1,541,245

LIABILITIES AND NET ASSETS:

Current liabilities:

Accounts payable	\$ 31,357
Accrued expenses	135,215
Deferred revenue	<u>22,088</u>
Total current liabilities	<u>188,660</u>

Net assets:

Unrestricted	1,345,646
Temporarily restricted	<u>6,939</u>
Total net assets	<u>1,352,585</u>

Total liabilities and net assets \$ 1,541,245

See notes to financial statements

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Statement of Activities

	Year Ended June 30, 2012		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Program fees	\$ 1,354,414	\$ -	\$ 1,354,414
Support:			
Individual and group donors	349,103	21,782	370,885
Commercial organizations	108,689	-	108,689
Foundations	315,475	-	315,475
Legacies and bequests	56,061	-	56,061
United Way	6,876	-	6,876
Event revenue and support	181,855	-	181,855
	1,018,059	21,782	1,039,841
Investment income	9,895	-	9,895
Other income	4,220	-	4,220
	2,386,588	21,782	2,408,370
RECLASSIFICATIONS:			
Net assets released from restrictions upon satisfaction of purpose restrictions	14,843	(14,843)	-
	14,843	(14,843)	-
Total Support and Revenue	2,401,431	6,939	2,408,370
EXPENSES:			
Program	2,336,901	-	2,336,901
Supporting activities:			
Management and general	175,534	-	175,534
Fundraising	213,931	-	213,931
	2,726,366	-	2,726,366
Changes in net assets	(324,935)	6,939	(317,996)
Net assets, beginning of year	1,670,581	-	1,670,581
Net assets, end of year	\$ 1,345,646	\$ 6,939	\$ 1,352,585

See notes to financial statements

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Statement of Functional Expenses

Year Ended June 30, 2012

	Supporting Activities			Total
	Total Program	Management and General	Fundraising	
Salaries and related expenses:				
Salaries	\$ 1,410,218	\$ 112,872	\$ 96,748	\$ 1,619,838
Payroll taxes	130,496	5,674	5,674	141,844
Employee benefits	154,887	10,621	6,734	172,242
	<u>1,695,601</u>	<u>129,167</u>	<u>109,156</u>	<u>1,933,924</u>
Other expenses:				
Advertising	-	-	21,066	21,066
Auto and travel	82,994	-	-	82,994
Bad debt	5,734	-	-	5,734
Depreciation and amortization	45,024	3,035	2,529	50,589
Education supplies	14,802	-	-	14,802
Events	-	-	36,007	36,007
Facility leases	131,026	8,453	1,409	140,888
Field trips and camps	19,231	-	-	19,231
Food and consumables	14,518	-	-	14,518
Insurance	11,098	748	624	12,470
Meetings	1,119	-	-	1,119
Office expense	5,701	7,783	597	14,081
Peer buddies and mentoring	16,520	-	-	16,520
Professional services	156,305	8,062	37,238	201,605
Repairs and maintenance	63,327	5,424	3,558	72,309
Staff development	11,815	-	-	11,815
Substitutes	28,217	-	-	28,217
Taxes and licenses	2,759	-	-	2,759
Telephone	5,624	379	316	6,319
Utilities	20,302	1,369	1,141	22,811
Other operating expenses	5,183	11,113	291	16,588
	<u>\$ 2,336,901</u>	<u>\$ 175,534</u>	<u>\$ 213,931</u>	<u>\$ 2,726,366</u>

See notes to financial statements

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Statement of Cash Flows

Year Ended June 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Changes in net assets	\$ (317,996)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	50,589
Unrealized loss on investments	269
Disposal of equipment and furniture	5,748
Change in:	
Accounts receivable	62,543
Prepaid expenses	(8,185)
Accounts payable	(42,691)
Accrued expenses	(18,119)
Deferred revenue	(3,925)
Net Cash Used in Operating Activities	<u>(271,767)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	(3,153)
Purchases of equipment and furniture	<u>(16,290)</u>
Net Cash Used in Investing Activities	<u>(19,443)</u>
Net Change in Cash and Cash Equivalents	(291,210)
Cash and Cash Equivalents, Beginning of Year	<u>984,838</u>
Cash and Cash Equivalents, End of Year	<u>\$ 693,628</u>

See notes to financial statements

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2012

1. NATURE OF ORGANIZATION:

The Blind Children's Learning Center of Orange County, Inc. was incorporated in 1962 in California as a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). It is also exempt from state income taxes. The Blind Children's Learning Center of Orange County (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 provide early intervention, education and services for blind, visually impaired and deaf-blind children and their families in preparation to lead independent lives. The primary sources of revenue for the Center is program fees and contributions.

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. 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.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies adopted by the Center are described below.

CASH AND CASH EQUIVALENTS

The Center considers all highly liquid instruments with maturities less than three months to be cash and cash equivalents. These cash and cash equivalent accounts may, at times, exceed federally insured limits; however, the Center has not experienced any losses on these accounts.

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

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 the fair value on the date of donation and thereafter carried in accordance with the above provisions.

LEASEHOLD IMPROVEMENTS, EQUIPMENT AND FURNITURE

Property and equipment are recorded at cost or, if donated, at the approximate fair value at the time of the donation. 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 property and equipment, are reported as restricted support. Absent explicit donor stipulations about how those 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 or equal to \$500, which is considered tangible personal or real property.

NET ASSETS

The net assets of the Center are reported according to class as follows:

Unrestricted net assets are those currently available for the Center's operations under the direction of the board and those resources invested in leasehold improvements, equipment, and furniture.

Temporarily restricted net assets are those contributed with donor stipulations for a specific purposes. All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

SUPPORT, REVENUE, AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received, or ownership of donated assets is transferred to the Center. The Center records contributions as temporarily restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is when the purpose restriction is fulfilled or the time 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. Donations of material, facilities, and stock, are recorded as support at their estimated fair value as of the date of donation.

Unconditional grants are recorded when the grant has been earned. Conditional grants are recognized as support when the conditions have been met.

Program services fees are recognized when earned. The Center provides contracted services to children through over 25 school districts and regional centers as well as private pay contracts.

Investment income and other income are recognized when earned.

Many individuals and businesses volunteer their time and equipment to perform a variety of tasks that assist the Center's programs, fundraising, and operations. These contributed services are recorded at fair value at the date of contributions, only if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. During the year ended June 30, 2012 there were no contributed services meeting the requirements for recognition in the financial statements.

Expenses are recorded when incurred in accordance with the accrual basis of accounting and reported in unrestricted net assets.

Advertising costs are used to communicate the services provided by the Center and the fund raising events in support of the activities of the Center. Advertising costs are expensed as incurred.

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2012

2. SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited based on estimates made by management. Currently, there are no joint costs that have been allocated among program, general and administrative, and fundraising functions.

ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

At June 30, 2012, accounts receivable consisted of:

School districts	\$	90,599
Regional centers		40,712
Other		4,005
		<hr/>
	\$	135,316
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These receivables are deemed fully collectible, therefore no allowance for uncollectible accounts was provided for at June 30, 2012.

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2012

4. INVESTMENTS

At June 30, 2012, investments consisted of:

Equity securities	\$ 4,418
Limited partnership	11,984
	<u>16,402</u>
Certificates of deposits with maturity dates longer than one year	493,908
Money market	39,119
	<u>\$ 549,429</u>

Investment income for the year ended June 30, 2012 was:

Interest and dividends	\$ 10,164
Unrealized loss	(269)
	<u>\$ 9,895</u>

FAIR VALUE MEASUREMENTS

The Center uses appropriate valuation techniques to determine fair value based on inputs available. When available, the Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 1 inputs are based on quoted prices in active markets for identical assets. Level 2 inputs are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets or model-based valuations where significant assumptions are observable. The Center held no Level 2 investments at June 30, 2012. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. Level 3 uses model-based techniques using significant assumptions that are not observable. These unobservable assumptions reflect estimates of assumptions that market participants would use.

The table below presents the level within the fair value hierarchy at which investments are measured at June 30, 2012:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 4,418	\$ 4,418	\$ -
Limited partnership	11,984	-	11,984
	<u>\$ 16,402</u>	<u>\$ 4,418</u>	<u>\$ 11,984</u>

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2012

4. INVESTMENTS, continued

The following is a reconciliation of investments in securities for which significant unobservable inputs (Level 3) were used in determining value:

Balance as of June 30, 2011	\$	10,896
Increase in cash surrender value of partnership units		1,088
Balance as of June 30, 2012	\$	<u>11,984</u>

5. LEASEHOLD IMPROVEMENTS, EQUIPMENT AND FURNITURE-NET

Leasehold improvements, equipment and furniture include:

Leasehold improvements	\$	395,949
Furniture and equipment		268,953
Vehicles		17,200
		<u>682,102</u>
Less accumulated depreciation		<u>(541,503)</u>
Net investment in leasehold improvements, equipment and furniture	\$	<u>140,599</u>

6. NET ASSETS

Unrestricted net assets:

Undesignated	\$	705,047
Board designated reserve		500,000
Net investment in leasehold improvements, equipment and furniture		<u>140,599</u>

		1,345,646
Temporarily restricted net assets for mentoring program		<u>6,939</u>
	\$	<u>1,352,585</u>

BLIND CHILDREN'S LEARNING CENTER OF ORANGE COUNTY

Notes to Financial Statements

June 30, 2012

7. LEASE COMMITMENTS:

The Center is committed under non-cancelable lease agreements for property and equipment leases. In most cases, management expects that, in the normal course of business, leases will be renewed or replaced by other leases. Leases expire between December 2013 and August 2019.

Future minimum payments under non-cancelable operating leases are:

<u>Year ending June 30,</u>	
2013	\$ 100,122
2014	99,825
2015	95,028
2016	93,398
2017	87,036
Thereafter	<u>156,650</u>
	<u>\$ 632,059</u>

Rent expense under cancelable and non-cancelable lease contracts was \$145,002 for the year ended June 30, 2012.

8. ACCRUED VACATION:

The Center provides vacation compensation benefits under a personnel policy adopted in 2002. These benefits accrue and vest up to two times the annual accrual. At June 30, 2012, accrued vacation expense was \$48,407 and is included in accrued expenses.

9. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

After the financial statements were issued on November 27, 2012, management requested that the statement of activities be changed to present contributions by type of donor. Therefore, the contribution line in the statement of activities has been changed to separately report contributions by donor type.