

The Blind Children's Center, Inc.

Financial Statements

June 30, 2020

(With Comparative Totals for 2019)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 17

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Blind Children's Center, Inc.
Los Angeles, California

We have audited the accompanying financial statements of The Blind Children's Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the years 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.

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 from 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 The Blind Children's Center, Inc. as of June 30, 2020, 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.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Center has adopted Accounting Standards Update 2018-08 *Clarifying the Scope of and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08")* the Accounting Standard Codification Topic 606, *Revenue from Contracts with Customers ("ASC 606")*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited The Blind Children's Center, Inc.'s 2019 financial statements, and our report dated April 1, 2020 expressed an unmodified opinion on those audited financial statements. As part of our audit of the 2020 financial statements, we also audited the adjustments to the 2019 financial statements to apply the change in accounting principle discussed above. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, adjusted for the change in accounting principle discussed above, is consistent, in all material respects, with the audited financial statements from which it has been derived. Also, in our opinion, such adjustments are appropriate and have been properly applied.



Armanino^{LLP}
Los Angeles, California

February 19, 2021

The Blind Children's Center, Inc.
Statement of Financial Position
June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,446,232	\$ 1,207,121
Investments	6,741,033	7,300,743
Pledges receivable	50,000	308,524
Inventory of publications	42,823	46,590
Prepaid expenses and other current assets	74,807	72,005
Total current assets	8,354,895	8,934,983
Property and equipment, net	1,256,236	1,181,988
Total assets	\$ 9,611,131	\$ 10,116,971
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 329,836	\$ 432,565
Note payable - Paycheck Protection Program	300,000	-
Total current liabilities	629,836	432,565
Commitments (Note 8)		
Net assets		
Without donor restrictions		
Investment in property and equipment	1,256,236	1,181,988
Research fund	125,000	125,000
General	6,486,726	7,249,443
Total without donor restrictions	7,867,962	8,556,431
With donor restrictions	1,113,333	1,127,975
Total net assets	8,981,295	9,684,406
Total liabilities and net assets	\$ 9,611,131	\$ 10,116,971

The accompanying notes are an integral part of these financial statements.

The Blind Children's Center, Inc.
Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Revenues, gains and other support				
Contributions	\$ 921,018	\$ 447,001	\$ 1,368,019	\$ 976,837
Bequests	31,789	-	31,789	660,289
Special events	60,004	-	60,004	423,058
Publications	1,177	-	1,177	5,075
Other income	12,603	-	12,603	90,275
Investment income, net	391,516	46,023	437,539	521,703
Net assets released from restrictions	<u>507,666</u>	<u>(507,666)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>1,925,773</u>	<u>(14,642)</u>	<u>1,911,131</u>	<u>2,677,237</u>
Functional expenses				
Program services	<u>2,039,937</u>	<u>-</u>	<u>2,039,937</u>	<u>2,458,732</u>
Support services				
Management and general	308,534	-	308,534	317,794
Fundraising	<u>265,771</u>	<u>-</u>	<u>265,771</u>	<u>671,813</u>
Total support services	<u>574,305</u>	<u>-</u>	<u>574,305</u>	<u>989,607</u>
Total functional expenses	<u>2,614,242</u>	<u>-</u>	<u>2,614,242</u>	<u>3,448,339</u>
Change in net assets	(688,469)	(14,642)	(703,111)	(771,102)
Net assets, beginning of year	<u>8,556,431</u>	<u>1,127,975</u>	<u>9,684,406</u>	<u>10,455,508</u>
Net assets, end of year	<u>\$ 7,867,962</u>	<u>\$ 1,113,333</u>	<u>\$ 8,981,295</u>	<u>\$ 9,684,406</u>

The accompanying notes are an integral part of these financial statements.

The Blind Children's Center, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>	<u>2019 Total</u>
Personnel expenses					
Salaries	\$ 1,358,919	\$ 196,540	\$ 131,590	\$ 1,687,049	\$ 2,055,679
Payroll taxes	101,470	14,674	9,826	125,970	143,013
Employee benefits	209,786	30,342	20,314	260,442	368,909
Professional and specialist's fees	110,776	22,254	48,854	181,884	106,075
Educational supplies	37,283	1,254	840	39,377	55,238
Office expense	12,571	1,818	1,217	15,606	31,185
Occupancy expenses	55,388	10,002	5,363	70,753	123,007
Depreciation and amortization	50,084	7,243	4,850	62,177	110,962
Research	-	-	-	-	25,000
Donor stewardship	-	16	395	411	2,150
Mileage	82	12	8	102	976
Postage	2,927	424	284	3,635	9,013
Printing	5,998	867	3,486	10,351	49,888
Professional development	4,479	648	3,881	9,008	6,368
Repairs and maintenance	27,304	6,060	2,644	36,008	60,782
Software maintenance	11,137	6,284	1,078	18,499	4,385
Special events expense	-	-	11,377	11,377	229,374
Telephone	30,758	4,448	2,978	38,184	29,061
Bad debt expense	-	-	-	-	1,525
Other expenses	20,975	5,648	16,786	43,409	35,749
	<u>\$ 2,039,937</u>	<u>\$ 308,534</u>	<u>\$ 265,771</u>	<u>\$ 2,614,242</u>	<u>\$ 3,448,339</u>

The accompanying notes are an integral part of these financial statements.

The Blind Children's Center, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	\$ (703,111)	\$ (771,102)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	62,177	110,962
Net realized and unrealized gains on investments	(272,917)	(411,584)
Loss on disposal of property and equipment	2,050	1,023
Changes in operating assets and liabilities		
Bequests receivable	-	(167,892)
Pledges receivable	258,524	(132,510)
Inventory of publications	3,767	40,567
Prepaid expenses and other current assets	(2,802)	(32,805)
Accounts payable and accrued expenses	(102,729)	44,207
Net cash used in operating activities	(755,041)	(1,319,134)
Cash flows from investing activities		
Purchases of investments	(2,702,320)	(3,029,259)
Proceeds from sale of investments	3,534,947	4,191,789
Purchases of property and equipment	(138,475)	(54,972)
Net cash provided by investing activities	694,152	1,107,558
Cash flows from financing activities		
Proceeds from note payable - Paycheck Protection Program	300,000	-
Net cash provided by financing activities	300,000	-
Net increase (decrease) in cash	239,111	(211,576)
Cash, beginning of year	1,207,121	1,418,697
Cash, end of year	\$ 1,446,232	\$ 1,207,121

The accompanying notes are an integral part of these financial statements.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

1. NATURE OF OPERATIONS

The mission of The Blind Children's Center, Inc. (the "Center") is to prepare children who are visually impaired to thrive in a sighted world through inclusive, family-focused early intervention and child development programs.

The Center is a 501 (c) (3) nonprofit organization founded in 1938 by the Delta Gamma Alumnae Association of Southern California. Each year the Center serves approximately 80 children who are blind or visually impaired and provides an array of support services for more than 300 family members. Our goal is to optimize each child's development and opportunities to lead a meaningful life through a comprehensive program beginning with early intervention, followed by an educational curriculum specifically adapted to the needs of each student. We are committed to a family-focused approach where parents, siblings, grandparents, and caregivers are included in the educational process every step of the way.

In keeping with best practices, our programs are fully inclusive with sighted children integrated in each class, providing unique opportunities for social interaction and acquisition of critical skills. Our multidisciplinary team of experts utilizes leading-edge technology and adaptive devices to help our students who are visually impaired keep pace in the sighted world. A model program, the Center impacts communities globally through presentations, conferences, and research grants, as well as a full suite of publications for families and professionals. In all, more than 750,000 copies of our publications have been distributed in 75 countries and translated into 17 languages.

Throughout our long history a dedicated community of friends and supporters has sustained our vital work. The Center's funding reflects the generosity of private donors and the trust of foundations and corporations, which allows us to provide these life-changing services at no cost to our students and families.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in accounting principle

In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2018-08, *Clarifying the Scope of and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"). ASU 2018-08 improves the consistency in how entities determine whether a transfer of assets in an exchange transaction or a contribution and whether a contribution is conditional. ASU 2018-08 clarifies that a contribution is conditional if an agreement includes both a barrier (or barriers) that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The amendment has been applied on a modified prospective basis in 2020.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle (continued)

In May 2014, FASB issued Accounting Standards Codification Topic 606 ("ASC 606"), *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. GAAP. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. The Center adopted ASC 606 with a date of the initial application of July 1, 2019, using the modified retrospective method.

The adoption of ASC 606 did not have a significant impact on the Center's financial position, result of operations, or cash flows. The majority of the Center's program revenue arrangements consist of a single performance obligation to transfer promised goods or services. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less.

Basis of accounting and financial statement presentation

The financial statements of the Center have been prepared on the accrual basis of accounting and presented on the basis of net assets with or without donor restrictions, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

- *Net assets without donor restrictions* - represent resources available to the Center's operations which are not otherwise limited by donor restrictions and restricted resources that have become available for use by the Center in accordance with the intentions of the donors.
- *Net assets without donor restriction, investment in property and equipment* - represents the net book value of property and equipment, at cost.
- *Net assets without donor restriction, Research fund* - represents board designated funds set aside for future research grants.
- *Net assets with donor restrictions* - consists of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Center may spend the funds. This class also includes contributed funds subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund operations as designated by donors.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Income tax status

The Center is a nonprofit organization under section 501(c)(3) of the Internal Revenue Code and similar provisions for the state of California and, therefore, is exempt from federal and state income taxes.

The Center follows ASC 740, *Accounting for Income Taxes* ("ASC 740") which provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements. Specifically, ASC 740-10-25 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. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability (or asset) if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the Center and has concluded that as of June 30, 2020, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax period in progress. Management believes it is no longer subject to federal income tax examinations for years prior to 2017 and 2016 for the state of California.

Cash and cash equivalents

Cash and cash equivalents include all cash balances, money market funds, and highly liquid investments with an original maturity of three months or less.

Bequest receivable

Individual bequests are recorded as revenue at the time the Center becomes entitled to the assets, the probate court has issued the order permitting the executor to distribute the assets, the amount to be received is assured or can be reasonably determined, and the distributions are anticipated within a reasonable period, generally twelve months. The Center has been designated as a beneficiary of several bequests, which have not been recorded in the accompanying financial statements at June 30, 2020, as they do not meet the foregoing criteria.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivables

When a donor has unconditionally promised to contribute funds in future periods, the Center recognizes the fair value of the pledge receivable. Pledges expected to be collected in future years are recorded as a donation and a receivable at the present value of the expected future cash flows.

Investments

The Center accounts for investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958-320 *Not-for-Profit Entities: Investments - Debt and Equity Securities* ("ASC 958-320"). ASC 958-320 requires that investments in debt and equity securities with readily determinable fair values to be reported at fair market value in the statement of financial position.

Sales and purchases of securities are recorded on the trade date, which results in receivables and payables on trades that have not yet been settled at the financial statement date. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of securities traded. Unrealized gains and losses are included in the statement of activities and represent the difference between the cost and market quotations of investments held at the end of the fiscal year.

Investments in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investments are made according to the investment policies, guidelines, and objectives adopted by the Center's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. Market values of such investments are routinely reviewed by the Board of Directors.

Fair value measurements

The Center has adopted Accounting Standards Codification No. 820-10, *Fair Value Measurements and Disclosures* ("ASC 820-10") which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of inputs that may be used to measure fair value under ASC 820-10 are described below:

- *Level 1* - Quoted prices in active market for identical assets or liabilities,

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

- *Level 2* - Observable inputs based on quoted on prices in non-active markets or in active markets for similar assets and liabilities. Inputs other than quoted prices that are observable or inputs that are not directly observable, but are corroborated by observable market data,
- *Level 3* - Unobservable inputs that are supported by little or no market activity and that are significant to the measurements of the assets or liabilities. The Center did not have any investments that are categorized as Level 3 as of June 30, 2020.

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

The fair value of fixed income and equity securities are based on quoted market prices.

Inventory of publications

Inventory of publications consists of educational booklets written by professionals at or associated with the Center. The Center publishes these booklets to be distributed to parents, educators and specialists throughout the world for a nominal fee. Inventory is stated at cost, computed on a first-in, first-out basis.

Property and equipment

Purchases of property and equipment are recorded at cost. Donated items are recorded at fair value when received. Depreciation and amortization on both purchased and donated items are computed using the straight-line method over the following estimated useful lives:

Buildings	33 years
Land improvements	5-33 years
Furniture and equipment	3-10 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Contributions

The Center recognizes the full amount of contributions received in the period that they were made as with or without donor restrictions depending on the existence and/or nature of any donor restrictions or barriers and rights of return.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional expenses

Expenses that can be identified with specific program or supporting services are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on evaluation by management. Expenses not related to a specific program are categorized by management as general and administrative expenses.

Subsequent events

The Center has evaluated events subsequent through February 19, 2021, the date the financial statements were available to be issued except as disclosed in Note 5. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

3. INVESTMENTS

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Government securities	\$ -	\$ 316,102	\$ -	\$ 316,102
Corporate bonds	184,463	-	-	184,463
Equities	4,985,613	-	-	4,985,613
Mutual funds	<u>1,254,854</u>	<u>-</u>	<u>-</u>	<u>1,254,854</u>
	<u>\$ 6,424,930</u>	<u>\$ 316,102</u>	<u>\$ -</u>	<u>\$ 6,741,032</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	\$ 106,493
Buildings	278,893
Land improvements	1,808,885
Furniture and equipment	<u>639,062</u>
	2,833,333
Accumulated depreciation	<u>(1,577,097)</u>
	<u>\$ 1,256,236</u>

Depreciation expense for the year ended June 30, 2020 was \$62,177.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

5. NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM

On May 4, 2020, the Center received loan proceeds in the amount of \$300,000 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the Center's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (8 or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after then end of the covered period. The Center intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

On February 4, 2021 the Center was granted 100% forgiveness on the outstanding balance of the loan.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Therapeutic support services	\$ 39,000
Infant program	80,000
Literacy program	110,000
Medical support program	50,000
Endowment investment income	381,891
Classroom furniture program	47,001
Capacity building program	6,721
Weingart Foundation	200,200
Estate-Jetta Goudal Grieve	157,020
Archer-Johnson Foundation	1,500
Estate-Walter & Holly Thomson	25,000
Estate-Margaret Bundy Scott	<u>15,000</u>
	<u>\$ 1,113,333</u>

7. ENDOWMENT

A portion of net assets with donor restrictions consist of endowments that are restricted by the donor for investment in perpetuity. The grant agreements for a portion of the net assets with donor restrictions allows the Center to use the interest and dividend income from the endowment for education purposes and allows the adjustment annually for realized and unrealized gains and losses. The Center's endowment consists of several individual funds established for education and general operations. Its endowment includes only donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

7. ENDOWMENT (continued)

Interpretation of relevant law

The Center's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment included within net assets with donor restrictions, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as without donor restrictions once the amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Center and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Center
- (7) The investment policies of the Center

Endowment

The Center's endowment includes all net assets with donor restrictions.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

7. ENDOWMENT (continued)

Return objectives and risk parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the Center diversifies its investments, subject to practicality constraints, among a variety of asset classes so as to provide a balance that will enhance total real return while avoiding undue risk concentration in any single asset class or investment category. Actual returns in any given year may vary from their respective benchmarks.

Strategies employed for achieving objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Center has not established a formal spending policy. To date, all earnings of the endowment funds not withdrawn are being reinvested.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Center to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2020.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2019 and 2018 is as follows:

Endowments restricted by donors in perpetuity	\$ 398,720
Accumulated investment gains on donor-restricted endowments	<u>381,891</u>
	<u>\$ 780,611</u>

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

7. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2020 is as follows:

	With Donor Restrictions
Balance, June 30, 2019	\$ 734,588
Investment income	46,023
Balance, June 30, 2020	\$ 780,611

8. COMMITMENTS

The Center leases office equipment for periods through October 2024. Rental expense was \$10,579 for the year ended June 30, 2020.

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>		
2021	\$	9,534
2022		6,921
2023		4,761
2024		4,761
2025		1,190
	\$	27,167

9. RETIREMENT PLAN

The Center sponsors the Blind Children's Center 401(k) Profit Sharing Plan ("the Plan"). All employees 21 years old or older completing 1,000 hours of service to the Center are eligible to participate. Under the Plan, employees of the Center adopt salary reduction agreements and may contribute their reduced compensation to the Plan. The Center will match a portion of the participant's contribution to the Plan. The amount may vary from year to year based upon the budget approved by the Center's Board of Directors. During the year ended June 30, 2020, the Center contributed \$18,407 to the Plan.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2020

10. LIQUIDITY AND FUNDS AVAILABLE

The Center regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. As part of the Center's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To meet liquidity needs, the Center has cash and investments available.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2020 to fund general expenditures and other obligations when they become due.

Liquidity and funds available is as follows:

Financial assets	
Cash and cash equivalents	\$ 1,446,232
Investments	6,741,033
Pledges receivable	<u>50,000</u>
	<u>8,237,265</u>
Less: amounts unavailable for general expenditure within one year	
Net assets with donor restrictions	(1,113,333)
Board designated net assets allocated to research	<u>(125,000)</u>
	<u>(1,238,333)</u>
	<u>\$ 6,998,932</u>

11. RISKS AND UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China, and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. California, among other states in the U.S., has declared a state of emergency. Future potential impacts may include continued disruptions or restrictions on our employees' ability to work and impairment of our ability to obtain contributions. The future effects of these issues are unknown.