

The Blind Children's Center, Inc.

Financial Statements
and Single Audit Reports and Schedules

June 30, 2022
(With Comparative Totals for 2021)



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 18
Single Audit Reports and Schedules	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 - 21
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	22 - 24
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27 - 29
Summary Schedule of Prior Audit Findings	30



INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Blind Children's Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Blind Children's Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Blind Children's Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Blind Children's Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited The Blind Children's Center, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Armanino^{LLP}
Los Angeles, California

January 25, 2023

The Blind Children's Center, Inc.
Statement of Financial Position
June 30, 2022
(With Comparative Totals for 2021)

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 902,501	\$ 1,599,157
Investments	6,291,360	7,695,203
Accounts receivable	319,931	210
Pledges receivable	100,134	-
Inventory of publications	41,952	42,096
Prepaid expenses and other current assets	<u>108,051</u>	<u>183,402</u>
Total current assets	7,763,929	9,520,068
 Property and equipment, net	 <u>1,110,243</u>	 <u>1,206,533</u>
 Total assets	 <u><u>\$ 8,874,172</u></u>	 <u><u>\$ 10,726,601</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	\$ 341,895	\$ 434,145
Note payable - Paycheck Protection Program	<u>-</u>	<u>380,000</u>
Total current liabilities	<u>341,895</u>	<u>814,145</u>
 Net assets		
Without donor restrictions		
Investment in property and equipment	1,110,243	1,206,533
Research fund	62,622	87,622
General	<u>6,307,664</u>	<u>7,494,647</u>
Total without donor restrictions	7,480,529	8,788,802
With donor restrictions	<u>1,051,748</u>	<u>1,123,654</u>
Total net assets	<u>8,532,277</u>	<u>9,912,456</u>
 Total liabilities and net assets	 <u><u>\$ 8,874,172</u></u>	 <u><u>\$ 10,726,601</u></u>

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, 2022
(With Comparative Totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
Revenues, gains and other support				
Contributions	\$ 585,727	\$ 523,350	\$ 1,109,077	\$ 1,001,734
Loan forgiveness income	380,000	-	380,000	300,000
Bequests	17,947	-	17,947	568,659
Government grants	968,418	-	968,418	25,000
Special events	87,742	-	87,742	108,166
Publications	1,961	-	1,961	6,904
Other income	2,956	-	2,956	2,602
Net assets released from restrictions	<u>454,859</u>	<u>(454,859)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>2,499,610</u>	<u>68,491</u>	<u>2,568,101</u>	<u>2,013,065</u>
Functional expenses				
Program services	<u>2,200,815</u>	<u>-</u>	<u>2,200,815</u>	<u>1,988,503</u>
Support services				
Management and general	289,993	-	289,993	325,841
Fundraising	<u>294,207</u>	<u>-</u>	<u>294,207</u>	<u>352,037</u>
Total support services	<u>584,200</u>	<u>-</u>	<u>584,200</u>	<u>677,878</u>
Total functional expenses	<u>2,785,015</u>	<u>-</u>	<u>2,785,015</u>	<u>2,666,381</u>
Change in net assets from operations	(285,405)	68,491	(216,914)	(653,316)
Investment income (loss)	<u>(1,022,868)</u>	<u>(140,397)</u>	<u>(1,163,265)</u>	<u>1,584,477</u>
Change in net assets	(1,308,273)	(71,906)	(1,380,179)	931,161
Net assets, beginning of year	<u>8,788,802</u>	<u>1,123,654</u>	<u>9,912,456</u>	<u>8,981,295</u>
Net assets, end of year	<u>\$ 7,480,529</u>	<u>\$ 1,051,748</u>	<u>\$ 8,532,277</u>	<u>\$ 9,912,456</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, 2022
(With Comparative Totals for 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2022 Total</u>	<u>2021 Total</u>
Salaries	\$ 1,272,258	\$ 135,715	\$ 139,127	\$ 1,566,710	\$ 1,660,875
Payroll taxes	100,291	11,287	12,392	123,970	135,924
Employee benefits	168,234	20,357	36,610	205,591	238,618
Professional and specialist's fees	252,030	55,499	10,264	317,793	220,918
Educational supplies	94,180	2,586	1,233	97,999	15,668
Office expense	12,546	7,669	3,212	23,427	14,637
Occupancy expenses	78,059	13,460	10,449	101,968	67,744
Depreciation and amortization	89,018	16,398	11,713	117,129	132,635
Research	25,000	-	-	25,000	35,737
Donor stewardship	-	623	3,408	4,031	1,156
Mileage	-	347	-	347	-
Postage	2,375	673	62	3,110	4,157
Printing	-	1,482	9,440	10,922	7,394
Professional development	7,335	2,382	681	10,398	4,647
Repairs and maintenance	41,186	10,581	3,263	55,030	37,752
Software maintenance	13,202	4,741	5,999	23,942	18,972
Special events expense	-	-	40,078	40,078	17,630
Telephone	22,171	3,929	951	27,051	39,387
Bad debt expense	-	-	348	348	-
Other expenses	22,930	2,264	4,977	30,171	43,409
	<u>\$ 2,200,815</u>	<u>\$ 289,993</u>	<u>\$ 294,207</u>	<u>\$ 2,785,015</u>	<u>\$ 2,697,260</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, 2022
(With Comparative Totals for 2021)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (1,380,179)	\$ 931,161
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	117,129	132,635
Net realized and unrealized losses (gains) on investments	1,335,871	(1,485,384)
Loss on disposal of property and equipment	603	-
Loan forgiveness	(380,000)	(300,000)
Changes in operating assets and liabilities		
Accounts receivable	(319,721)	(210)
Pledges receivable	(100,134)	50,000
Inventory of publications	144	727
Prepaid expenses and other current assets	75,351	(108,595)
Accounts payable and accrued expenses	(92,250)	104,309
Net cash used in operating activities	<u>(743,186)</u>	<u>(675,357)</u>
Cash flows from investing activities		
Purchases of investments	(1,084,270)	(1,473,749)
Proceeds from sale of investments	1,152,242	2,004,963
Purchases of property and equipment	(21,442)	(82,932)
Net cash provided by investing activities	<u>46,530</u>	<u>448,282</u>
Cash flows from financing activities		
Proceeds from note payable - Paycheck Protection Program	-	380,000
Net cash provided by financing activities	<u>-</u>	<u>380,000</u>
Net increase (decrease) in cash and cash equivalents	(696,656)	152,925
Cash and cash equivalents, beginning of year	<u>1,599,157</u>	<u>1,446,232</u>
Cash and cash equivalents, end of year	<u>\$ 902,501</u>	<u>\$ 1,599,157</u>

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

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2022

1. NATURE OF OPERATIONS

The mission of The Blind Children's Center, Inc. (the "Center") is to prepare infants, toddlers, and preschoolers of all abilities to thrive through inclusive, family-focused early childhood education, with a specialized focus on children who are blind or visually impaired.

The Center is a 501 (c) (3) nonprofit organization founded in 1938 by the Delta Gamma Alumna Association of Southern California. The Center provides free high-quality early childhood education programs for children from birth through 5 years-old (Head Start, Early Head Start, CA State Preschool). The Center's 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 classrooms are fully inclusive with children who are blind/visually impaired, or who have disabilities learn alongside their typically developing peers. This inclusive model provides unique opportunities for social interaction and the 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. The Center also impacts communities globally through presentations, conferences, and research grants, as well as 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.

As a delegate of Los Angeles County Office of Education (LACOE), our programs are funded in part by the Administration for Children and Families, Department of Health and Human Services, and the California Department of Education. Additionally, throughout our long history, a dedicated community of friends, Delta Gammas, and supporters has sustained our vital work. The Center's private funding reflects the generosity of individual donors and the trust of foundations and corporations, which allows us to provide life-changing services at no cost to our students and families.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting and financial statement presentation (continued)

- *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.

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, 2022, 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 2019 and 2018 for the state of California.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2022, as they do not meet the foregoing criteria.

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. Pledges receivable at June 30, 2022 are expected to be collected within one year.

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.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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,
- *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, 2022.

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 the lesser of net realizable value or cost, computed on a first-in, first-out basis.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	5-20 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.

A portion of the Center's revenue is derived from cost-reimbursable state, county, or local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Center received a cost-reimbursable grant of \$87,920 that has not been recognized at June 30, 2022 because qualifying expenditures have not yet been incurred. No amounts have been received in advance for federal, county, or local contracts and grants.

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.

Reclassifications

In order to conform the current year financial statement presentation, certain reclassifications were made to the prior year financial statements to conform to the current year financial statements. There are no changes in net assets as a result of the reclassifications.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Center has evaluated events subsequent through January 25, 2023, the date the financial statements were available to be issued. 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Government securities	\$ -	\$ 271,030	\$ -	\$ 271,030
Corporate bonds	-	157,296	-	157,296
Mutual funds	3,931,714	-	-	3,931,714
Equities	<u>1,931,320</u>	<u>-</u>	<u>-</u>	<u>1,931,320</u>
	<u>\$ 5,863,034</u>	<u>\$ 428,326</u>	<u>\$ -</u>	<u>\$ 6,291,360</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Land	\$ 106,493
Buildings	278,893
Land improvements	1,879,747
Furniture and equipment	<u>620,600</u>
	2,885,733
Accumulated depreciation	<u>(1,775,490)</u>
	<u>\$ 1,110,243</u>

Depreciation expense for the year ended June 30, 2022 was \$117,129.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2022

5. NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM

On February 10, 2021, the Center received loan proceeds under the federal Paycheck Protection Program ("PPP") which was established under the Coronavirus Aid, Relief, and Economic Security Act ("CARES act"), and is administered by the U.S Small Business Administration with the intent of providing small businesses access to short-term cash flow assistance to help cover operating expenses and maintain their payroll levels. The loan has a maturity of five years and an interest rate of 1% per annum. The Center received forgiveness for the PPP on October 25, 2021 for the outstanding balance of the loan and accrued interest. Accordingly, this amount was recognized as income in the accompanying Statement of Activities.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

Subject to expenditure for specified purpose	
Infant program	\$ 29,200
Literacy program	40,000
Medical support program	100,000
Accumulated investment gains on donor-restricted endowments	377,328
Educational programs	75,000
Disabilities services	<u>31,500</u>
	<u>653,028</u>
Donor-restricted endowment funds	
Weingart Foundation	200,200
Estate-Jetta Goudal Grieve	157,020
Estate-Walter & Holly Thomson	25,000
Estate-Margaret Bundy Scott	15,000
Archer-Johnson Foundation	<u>1,500</u>
	<u>398,720</u>
	<u>\$ 1,051,748</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, 2022

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, 2022

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 a formal policy of appropriating 3.6% of the trailing 12 quarter average of its donor-restricted endowment's total asset value ending each fiscal year.

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, 2022.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

Endowments restricted by donors in perpetuity	\$ 398,720
Accumulated investment gains on donor-restricted endowments	<u>377,328</u>
	<u>\$ 776,048</u>

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2022

7. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2022 is as follows:

	With Donor Restrictions
Balance, June 30, 2021	\$ 916,445
Investment loss	(140,397)
Balance, June 30, 2022	\$ 776,048

8. COMMITMENTS

The Center leases office equipment for periods through June 2025. Rental expense was \$9,827 for the year ended June 30, 2022.

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

<u>Year ending June 30,</u>		
2023	\$	8,194
2024		8,194
2025		4,687
	\$	21,075

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, 2022, the Center contributed \$8,131 to the Plan.

The Blind Children's Center, Inc.
Notes to Financial Statements
June 30, 2022

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, 2022 to fund general expenditures and other obligations when they become due.

Liquidity and funds available is as follows:

Financial assets	
Cash and cash equivalents	\$ 902,501
Investments	6,291,360
Accounts receivable	<u>319,931</u>
	<u>7,513,792</u>
Less: amounts unavailable for general expenditure within one year	
Net assets with donor restrictions	(1,051,748)
Board designated net assets allocated to research	<u>(62,622)</u>
	<u>(1,114,370)</u>
	<u>\$ 6,399,422</u>

SINGLE AUDIT REPORTS AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Blind Children's Center, Inc. (the "Center"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Armanino^{LLP}
Los Angeles, California

January 25, 2023



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited The Blind Children's Center, Inc. (the "Center")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2022. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Center and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Center's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Center's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Center's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Center's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Center's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Center's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 to be significant deficiencies.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on The Center's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
Los Angeles, California

January 25, 2023

The Blind Children's Center, Inc.
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<u>Expenditures of Federal Awards</u>			
U.S. Department of Health and Human Services			
Head Start			
Pass-through program from:			
Los Angeles County Office of Education	93.600	C-22099	\$ <u>945,021</u>
Total U.S. Department of Health and Human Services			<u>945,021</u>
Total Expenditures of Federal Awards			<u><u>\$ 945,021</u></u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
 are an integral part of this schedule.

The Blind Children's Center, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Blind Children's Center, Inc. (the "Center") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

3. INDIRECT COSTS

The Center has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

The Blind Children's Center, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

The Blind Children's Center, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding number:	2022-001
Assistance Listing number:	93.600
Program:	Head Start
Identifying number and grant period:	C-22099, year ended June 30, 2022
Name of federal agency:	U.S. Department of Health and Human Services
Name of pass-through entity:	Los Angeles County Office of Education
Repeat finding:	No
Criteria:	Head Start Agencies must comply with Head Start's program governance requirements.
Condition:	The Organization has not yet established a Policy Council, which is a required component of the Head Start program under assistance listing number 93.600.
Cause:	The Organization is in the first year of the Head Start program and is in the process of establishing a Policy Council.
Effect:	Management did not share financial information with the Policy Council.
Context:	In February 2022, the Center entered into a subrecipient arrangement with the Los Angeles County Office of Education ("LACOE") to receive funds and deliver services under the Head Start program. The subrecipient agreement and the Head Start program require a separate Policy Council.
Recommendation:	Management and the board of directors should review all of the program governance requirements and ensure that they are all being met. Specifically, management should ensure that a Policy Council is convened and establish the requiring reporting cadence.

The Blind Children's Center, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Views of responsible officials: Blind Children's Center agrees with the finding. In conjunction with LACOE, Blind Children's Center developed start-up plans for its Head Start programs for the period of February through December 2022. The plans included establishing a Policy Committee at Blind Children's Center by November 2022, including a representative to serve on LACOE's Policy Council.

Elections for the Policy Committee were held on October 13, 2022 and the Policy Committee had its first meeting and training on November 9, 2022. As of November 2022, Blind Children's Center's Policy Committee is receiving all required management and fiscal monthly reports and approving policies and procedures as per Head Start performance standards and regulations.

The Blind Children's Center, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2022

There were no prior year findings.