

***Financial Statements and Independent
Auditors' Report***



***As of and For the Year Ended
June 30, 2020***

*Financial Statements and
Independent Auditors' Report*



As of and For the Year Ended June 30, 2020

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

Table of Contents

	<u>Page</u>
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Blind Children's Learning Center of Orange County, Inc.

We have audited the accompanying financial statements of The Blind Children's Learning Center of Orange County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Blind Children's Learning Center of Orange County, Inc. as of June 30, 2020, 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

Haskell & White LLP

HASKELL & WHITE LLP

Irvine, California
October 29, 2020

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

**Statement of Financial Position
As of June 30, 2020**

Assets

Current assets:	
Cash and cash equivalents	\$ 2,187,464
Investments (Note 3)	754,726
Accounts receivable (Note 4)	148,643
Short-term pledge receivable	24,942
Prepaid expenses	29,900
	<hr/>
Total current assets	3,145,675
	<hr/>
Long-term portion of pledge receivable, net of discount	49,883
	<hr/>
Property and equipment:	
Buildings and improvements	121,206
Leasehold improvements	329,967
Furniture, equipment, and software	199,932
Vehicles	41,653
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Total property and equipment	692,758
Accumulated depreciation	(367,194)
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Net property and equipment	325,564
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Total assets	\$ 3,521,122
	<hr/> <hr/>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	\$ 45,439
Accrued payroll and payroll taxes payable	65,606
Accrued vacation payable	78,858
Short-term portion of debt (Note 6)	396,025
	<hr/>
Total current liabilities	585,928
	<hr/>
Long term portion of debt (Note 6)	-
	<hr/>
Commitments and Contingencies (Notes 6, 8, and 9)	
Net assets (Note 7)	
With donor restrictions	96,789
Without donor restrictions	2,838,405
	<hr/>
Total net assets	2,935,194
	<hr/>
Total liabilities and net assets	\$ 3,521,122
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See independent auditors' report and notes to financial statements.

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

**Statement of Activities
For The Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total June 30, 2020</u>
Revenues			
Revenue and other support:			
Program fees	\$ 1,228,234	\$ -	\$ 1,228,234
Individual and group donors	616,289	-	616,289
Foundation donors	101,197	411,838	513,035
Special events, net of \$148,604 of direct expenses	272,160	-	272,160
Legacies and bequests	190,157	-	190,157
Commercial organization donors	82,777	5,605	88,382
Grants and misc. contributions	54,314	-	54,314
Investment income earned	44,745	-	44,745
Net assets released from restrictions	320,654	(320,654)	-
	<u>2,910,527</u>	<u>96,789</u>	<u>3,007,316</u>
Expenses			
Functional Expenses:			
Program services	2,292,633	-	2,292,633
Support Services:			
Management and general	242,202	-	242,202
Fundraising	247,381	-	247,381
	<u>2,782,216</u>	<u>-</u>	<u>2,782,216</u>
Total functional and support service expenses			
	<u>2,782,216</u>	<u>-</u>	<u>2,782,216</u>
Change in net assets			
Increase in net assets	128,311	96,789	225,100
Net assets, beginning of year	<u>2,710,094</u>	<u>-</u>	<u>2,710,094</u>
Net assets, end of year	<u><u>\$ 2,838,405</u></u>	<u><u>\$ 96,789</u></u>	<u><u>\$ 2,935,194</u></u>

See independent auditors' report and notes to financial statements.

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

**Statement of Functional Expenses
For The Year Ended June 30, 2020**

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals June 30, 2020</u>
	<u>Early Intervention and Education</u>	<u>Management and General</u>	<u>Fund- raising</u>	
Salaries	\$ 1,598,858	\$ 167,696	\$ 125,393	\$ 1,891,947
Payroll Taxes	123,191	14,905	8,763	146,859
Employee Benefits	132,720	4,882	7,648	145,250
Auto Travel	38,315	-	123	38,438
Bank and Credit Card Fees	4,635	739	17,137	22,511
Depreciation	58,507	2,590	3,651	64,748
Educational Supplies	11,881	206	612	12,699
Special Event Expenses	439	-	-	439
Leases	95,062	7,461	5,394	107,917
Field Trips	677	-	-	677
Food and Consumables	7,119	369	644	8,132
Business Insurance	19,045	837	1,046	20,928
Legal and Licensing	6,750	1,591	25	8,366
Audit and Accounting Fees	9,670	2,643	900	13,213
Loss on Fixed Asset Disposal	-	4,760	-	4,760
Marketing	10,800	5,200	-	16,000
Meetings	494	2,670	854	4,018
Office Supplies	6,846	2,023	1,395	10,264
Postage and Mailings	603	306	7,139	8,048
Payroll Fees	6,216	228	342	6,786
Program Contractors	33,121	-	26,850	59,971
Promotional	-	300	22,529	22,829
Office, Rental and Repairs	55,136	4,467	11,408	71,011
Staff Membership and Development	12,006	15,794	3,394	31,194
Substitute Teachers	8,640	-	-	8,640
Telephone and Internet	22,678	1,020	1,136	24,834
Utilities	27,708	1,515	998	30,221
Vehicle Gas	1,516	-	-	1,516
Total expenses	<u>\$ 2,292,633</u>	<u>\$ 242,202</u>	<u>\$ 247,381</u>	<u>\$ 2,782,216</u>

See independent auditors' report and notes to financial statements.

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

**Statement of Cash Flows
For The Year Ended June 30, 2020**

Cash flows from operating activities	
Change in net assets	\$ 225,100
Non-cash items included in change in net assets:	
Realized and unrealized gain on sale of securities	15,035
Depreciation and amortization	64,748
Loss on fixed asset disposal	4,760
Discount on long term pledges receivable	175
Changes in operating assets and liabilities	
Accounts receivables	41,591
Pledge receivables	(75,000)
Contributions and other receivables	6,307
Prepaid expenses	9,064
Accounts payable	21,273
Accrued payroll and payroll taxes payable	(18,742)
Accrued vacation payable	(11,345)
Other current liabilities	(2,056)
	<hr/>
Net cash provided by operating activities	280,910
	<hr/>
Cash flows from investing activities	
Investments in equity shares and bonds	(137,881)
Proceeds from liquidation of certificates of deposit	8,234
	<hr/>
Net cash used in investing activities	(129,647)
	<hr/>
Cash flows from financing activities	
Proceeds from debt	395,200
	<hr/>
Net cash provided by financing activities	395,200
	<hr/>
Net increase in cash and cash equivalents	546,463
Cash and cash equivalents - beginning of year	1,641,001
	<hr/>
Cash and cash equivalents - end of year	\$ 2,187,464
	<hr/> <hr/>
<i>Supplemental Information</i>	
Cash paid for interest	\$ 825
	<hr/> <hr/>

See independent auditors' report and notes to financial statements.

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

Notes to Financial Statements For the Year Ended June 30, 2020

1. Nature of Operations

The Blind Children's Learning Center of Orange County, Inc. (the "Center") was incorporated in 1962 in California as a not-for-profit corporation. The Center has been classified as a publicly supported organization, which is not a private foundation, under Section 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

The mission of the Center is to prepare visually impaired children for a life of independence through early intervention, education, and family support. The primary sources of revenue for the Center are program fees and charitable contributions.

The Center provides the following core programs:

Global Infant Development is program whereby Infant Development Specialists make home visits to families with children with visual impairments (birth to three years). Children with visual impairments receive vision stimulation and therapy services as needed while their parents receive education, counseling and support services. Parents learn how vision loss can affect healthy development and how to help their children with visual impairments learn, grow, and gain independence.

Bright Visions Early Childhood Center provides both children with visual impairments and those that are typically developing (ages six months to second grade) with a highly inclusive environment that focuses on appropriate overall development and school readiness. The program builds a strong foundation for future success by giving all children the confidence to move through the world independently. Braille, orientation and mobility, and adaptive technology training are provided as well as pediatric services to minimize developmental delays for children with visual impairments. Preschool to grade 2 programming was sunset at the end of FY 2019-2020, affecting less than 7% of total students served this year. Decreased fee revenue from this change will be accompanied by offsets in workforce and other reductions in expenses.

Youth Outreach partners with local school districts and with students with visual impairments (Kindergarten through 12th grade) who have transitioned into public school classrooms throughout Orange County. Credentialed teachers provide individualized instruction in Braille, orientation and mobility, and adaptive technology. The partnership not only ensures success during the students' school age years, but also results in increased student independence in school, at home, and in the community.

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

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

2. Significant Accounting Policies

Cash and Cash Equivalents

The Center defines cash equivalents as cash and checks available for deposit, and cash in checking accounts, along with all highly liquid investments with original maturities of three months or less. These cash and cash equivalent accounts may, at times, exceed federally insured limits; however, the Center has not experienced any losses on these accounts.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions — Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions — Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accounts Receivable

Accounts receivable consists primarily of non-interest bearing amounts due for program service fees. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

Pledge Receivable

The Center record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. As of June 30, 2020, the present values discount was \$175 using an interest rate of .14%.

See accompanying independent auditors' report.

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

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

2. Significant Accounting Policies (continued)

Donated Materials and Services

If material or other non-cash contributions are received through donation, their value is reflected in the accompanying statements at their estimated fair value at the date of receipt. Contribution of services are recognized if the services received create or enhance nonfinancial assets, require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other volunteer services that do not meet these criteria are not recognized in the financial statements as there is no objective basis or deriving their value.

Property and Equipment

The Center record property and equipment additions over \$1,000 at cost, or if donated, at estimated fair value on the date of donation. Such donations are reported as without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 30 years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

The Center record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Revenue and Revenue Recognition

General support, including pledges, as well as any other unconditional promises to give, are recognized as revenue in the period pledged. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Special event revenues are recognized when earned, whereas expenses are recognized when incurred.

Grants represent contributions if the resources provider receives no value in exchange for the assets transferred, or if the value received is incidental to the potential public benefit to be provided by using the assets. Grants represent an exchange transaction if the potential public benefit to be derived is secondary to the potential benefit received by the resource provider.

See accompanying independent auditors' report.

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

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

2. Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statement of Activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited. Management and General expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Center. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Center generally does not conduct its fundraising activities in conjunction with its other activities.

Income Taxes

The Center is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(c)(3) and California Code Section 23701d, qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3). The Center is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Center is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. We have determined that the Center is not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Center's income tax filings are subject to routine audits by taxing jurisdictions; however, there are no audits for any tax periods in progress. The Center believes that it is no longer subject to examinations for the years prior to 2015.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

See accompanying independent auditors' report.

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

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

3. Investments

Investments are required to be reported at fair market value. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure for 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 the fair value hierarchy under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820 are described as follows:

Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2- Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The assets measured at fair value are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of Deposit	\$ 495,464	\$ -	\$ 495,464	\$ -
Municipal Bonds	126,923	126,923	-	-
Equities	132,339	132,339	-	-
Total	<u>\$ 754,726</u>	<u>\$ 259,262</u>	<u>\$ 495,464</u>	<u>\$ -</u>

See accompanying independent auditors' report.

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

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

3. Investments (continued)

Investment income consisted of, for the year ended:

Interest and dividends	\$ 29,710
Realized and unrealized gains	<u>15,035</u>
	<u>\$ 44,745</u>

4. Accounts Receivable

Accounts receivable consisted of, as of year-end:

School districts	\$ 91,201
Regional centers	51,262
Private pay	<u>6,180</u>
	<u>\$ 148,643</u>

As of June 30, 2020, there was no allowance for doubtful accounts as all amounts were deemed to be fully collectable.

5. Concentrations of Risks

Financial instruments that potentially subject the Center to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Center places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit of \$250,000. Throughout the year and as of year-end, the Center may maintain cash balances in banks in excess of federally-insured limits. The Center does not anticipate nonperformance by the institutions. No FDIC protection exists for brokerage account balances.

As of June 30, 2020, accounts receivable consisted of thirteen accounts, totaling \$148,643. Among those accounts, three totaled \$115,725, constituting 78% of the total. Revenue related to these accounts totaled approximately \$854,000 for the year ended June 30, 2020. Each exceeded 10% of the total accounts receivable balance, but represented payments due from government entities whereby services to be provided were based on contractual arrangements. No allowance for uncollectible accounts has been established, as substantially all amounts due were subsequently received.

See accompanying independent auditors' report.

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

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

6. Debt

In April 2020, the Center obtained a Small Business Administration ("SBA") loan as a part of the Paycheck Protection Program (PPP) related to the global pandemic, COVID-19. The loan principal was \$395,200, with an interest rate of 1.00%. Loan forgiveness is permitted based on conditional terms. In order for the Center to be eligible for the maximum amount of loan forgiveness, 60% of the loan amount must be attributable to payroll costs. Management expects to meet the criteria for forgiveness of 100% of this loan prior to fiscal year 2021, which will be recognized as contribution income at that time. As of June 30, 2020, the loan principal and accrued interest totaled \$396,025.

7. Net Assets

Net assets consisted of, as of year-end:

With donor restrictions:

Time	\$ 74,825
Purpose	<u>21,964</u>
	<u>96,789</u>

Without donor restrictions:

Undesignated	2,012,841
Board designated reserve	500,000
Net investment in property and equipment	<u>325,564</u>
	<u>2,838,405</u>

Total net assets	<u><u>\$ 2,935,194</u></u>
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8. Operating Leases

The Center is committed under a non-cancelable lease agreement for the main facility. The lease is scheduled to expire August 31, 2021. The Center also leased a small modular space under a month to month agreement. Rent expenses were \$107,917 for the year ended June 30, 2020.

See accompanying independent auditors' report.

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

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

8. Operating Leases (continued)

Future minimum payments under the non-cancelable operating lease are:

<u>Year Ending June 30,</u>	<u>School Facility</u>
2021	\$ 118,000
2022	<u>20,000</u>
	<u>\$ 138,000</u>

9. Retirement Plan

On January 1, 2016, the Center adopted a 401(k) Qualified Retirement Plan. All employees working at least 1,040 hours per year are eligible to participate. The plan permits employees to make voluntary contributions to the plan up to 100% of their eligible compensation or the maximum amount allowed by law. The Center matches employee contributions at 25%, not to exceed 6% of their eligible compensation, starting in the second year of their employment. For the year ended June 30, 2020, the Center contributed a total of approximately \$15,000 to the plan.

10. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Liquid assets at June 30, 2020	
Cash and cash equivalents	\$ 2,187,464
Investments	754,726
Accounts receivable, net	148,643
Short-term pledge receivable	<u>24,942</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,115,775</u>

See accompanying independent auditors' report.

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

Notes to Financial Statements (continued) For the Year Ended June 30, 2020

10. Liquidity and Availability (continued)

The Center occasionally receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Center manages its liquidity with the principle of maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be met. The Center's expenses, excluding special events, average approximately \$234,000 per month, and therefore the Center has sufficient liquidity reserves to fund approximately thirteen months operations.

11. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

12. Accounting Pronouncements

Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, Leases. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statement of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply. The Center is currently evaluating the effect the provisions of this ASU will have on the financial statements.

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

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

12. Accounting Pronouncements (continued)

Recent Accounting Pronouncements (continued)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In connection to the Coronavirus Disease (COVID-19) pandemic affecting the global economy, FASB issued ASU 2020-05, which defers the effective date for annual reporting periods beginning after December 15, 2020. Early application is permitted. The Center is currently evaluating the effect the provisions of this ASU will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. ASU 2018-08 is effective for fiscal years beginning after December 31, 2018 for contributions received, and after December 15, 2019 for contributions made. The implementation of the contributions received provisions did not materially impact the Center's financial statements in 2019. The Center is currently evaluating the effect the remaining provisions of this ASU will have on the financial statements.

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance is intended to increase transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU require that entities (1) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (2) disclose the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. ASU 2020-07 is effective for fiscal years beginning after June 15, 2022. The Center is currently evaluating the effect the provisions of this ASU will have on the financial statements.

See accompanying independent auditors' report.

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

**Notes to Financial Statements (continued)
For the Year Ended June 30, 2020**

13. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Management has evaluated subsequent events through October 29, 2020, the date the financial statements were available to be issued, and disclosed the following:

Effective July 7, 2020, the Center received the SBA Economic Injury Disaster Loan (EIDL) related to the COVID-19 pandemic. The loan amount totaled \$150,000 and accrues interest at a rate of 2.75%. The balance and interest will be payable over thirty years from the effective date, with the first payment being deferred for one year.

During and subsequent to the current fiscal year-end, the pandemic related to COVID-19 continued to have an effect on the global economy. The pandemic represents a market risk factor including uncertainty in the Center's field of services. The Center will continue to monitor market conditions as information is available and evaluate potential impacts, if any.