

SAN DIEGO CENTER FOR THE BLIND

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
San Diego Center for the Blind

Report on the Financial Statements

I have audited the accompanying financial statements of San Diego Center for the Blind, a non-profit organization, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and 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

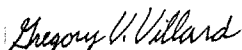
My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Diego Center for the Blind as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


La Mesa, California
January 11, 2017

SAN DIEGO CENTER FOR THE BLIND
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Cash & cash equivalents | \$ 343,418 | \$ 66,737 |
| Investments | 6,843,956 | 6,450,401 |
| Receivables | 142,554 | 259,758 |
| Promises to Give | 0 | 40,000 |
| Inventory | 73,505 | 71,788 |
| Prepaid expenses and other assets | 5,467 | 17,204 |
| Property and equipment | 1,636,734 | 1,562,599 |
| Endowment assets held by a third party | <u>22,644</u> | <u>23,902</u> |
| Total Assets | <u>\$ 9,068,278</u> | <u>\$ 8,492,389</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 79,208 | \$ 77,864 |
| Unearned revenue | <u>25,858</u> | <u>21,111</u> |
| Total Liabilities | <u>105,066</u> | <u>98,975</u> |
| Net Assets | | |
| Unrestricted | 8,458,425 | 8,260,252 |
| Temporarily restricted | 482,143 | 109,260 |
| Permanently restricted | <u>22,644</u> | <u>23,902</u> |
| Total Net Assets | <u>8,963,212</u> | <u>8,393,414</u> |
| Total Liabilities and Net Assets | <u>\$ 9,068,278</u> | <u>\$ 8,492,389</u> |

See accompanying notes and independent auditor's report.

SAN DIEGO CENTER FOR THE BLIND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| SUPPORT AND REVENUE | | | | |
| Legacies and Bequests | \$ 347,363 | \$ 558,150 | \$ - | \$ 905,513 |
| Contributions | 207,175 | - | - | 207,175 |
| Government Grants | 361,557 | - | - | 361,557 |
| Government Contracts - Fees for Services | 401,815 | - | - | 401,815 |
| Special Events, net of expenses of \$33,560 | 56,298 | - | - | 56,298 |
| Store Sales, net of expenses of \$161,778 | 89,101 | - | - | 89,101 |
| Miscellaneous | 11,952 | - | - | 11,952 |
| Endowment | 387 | - | (1,258) | (871) |
| Investment Gain (Loss) | 289,892 | - | - | 289,892 |
| Net Assets Released from Restriction | 213,811 | (213,811) | - | - |
| Reclassifications | (28,544) | 28,544 | - | - |
| | <u>1,950,807</u> | <u>372,883</u> | <u>(1,258)</u> | <u>2,322,432</u> |
| EXPENSES | | | | |
| Program Services | <u>1,464,524</u> | <u>-</u> | <u>-</u> | <u>1,464,524</u> |
| Supporting Services | | | | |
| Management and General | 169,180 | - | - | 169,180 |
| Fundraising | <u>118,930</u> | <u>-</u> | <u>-</u> | <u>118,930</u> |
| Total Supporting Services | <u>288,110</u> | <u>-</u> | <u>-</u> | <u>288,110</u> |
| | <u>1,752,634</u> | <u>-</u> | <u>-</u> | <u>1,752,634</u> |
| Change in Net Assets | 198,173 | 372,883 | (1,258) | 569,798 |
| Net Assets | | | | |
| Beginning of year | <u>8,260,252</u> | <u>109,260</u> | <u>23,902</u> | <u>8,393,414</u> |
| End of year | <u>\$ 8,458,425</u> | <u>\$ 482,143</u> | <u>\$ 22,644</u> | <u>\$ 8,963,212</u> |

See accompanying notes and independent auditor's report.

SAN DIEGO CENTER FOR THE BLIND
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------|---------------------------|---------------------------|---------------------|
| SUPPORT AND REVENUE | | | | |
| Legacies and Bequests | \$ 91,968 | \$ - | \$ - | \$ 91,968 |
| Contributions | 913,615 | 79,880 | - | 993,495 |
| Government Grants | 202,787 | - | - | 202,787 |
| Government Service Contracts | 501,676 | - | - | 501,676 |
| Special events net of costs of \$19,357 | 56,720 | - | - | 56,720 |
| Store sales net of costs of \$156,102 | 90,150 | - | - | 90,150 |
| Rental Income | 19,799 | - | - | 19,799 |
| Miscellaneous | 12,293 | - | - | 12,293 |
| Endowment | - | - | (969) | (969) |
| Gain on Sale of Rental Property | 356,907 | - | - | 356,907 |
| Investment Gain (Loss) | 285,659 | - | - | 285,659 |
| | <u>2,531,574</u> | <u>79,880</u> | <u>(969)</u> | <u>2,610,485</u> |
| | | | | |
| EXPENSES | | | | |
| Program Services | <u>1,456,211</u> | <u>-</u> | <u>-</u> | <u>1,456,211</u> |
| | | | | |
| Supporting Services | | | | |
| Management and general | 151,317 | - | - | 151,317 |
| Fundraising | <u>118,567</u> | <u>-</u> | <u>-</u> | <u>118,567</u> |
| Total supporting services | <u>269,884</u> | <u>-</u> | <u>-</u> | <u>269,884</u> |
| | | | | |
| Total Expenses | <u>1,726,095</u> | <u>-</u> | <u>-</u> | <u>1,726,095</u> |
| | | | | |
| Change in Net Assets | 805,479 | 79,880 | (969) | 884,390 |
| | | | | |
| Net Assets | | | | |
| Beginning of year | <u>7,454,773</u> | <u>29,380</u> | <u>24,871</u> | <u>7,509,024</u> |
| | | | | |
| End of year | <u>\$ 8,260,252</u> | <u>\$ 109,260</u> | <u>\$ 23,902</u> | <u>\$ 8,393,414</u> |

See accompanying notes and independent auditor's report.

SAN DIEGO CENTER FOR THE BLIND
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

| | 2016 | 2015 |
|--|-------------------|--------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ 569,798 | \$ 884,390 |
| Reconciliation to net cash provided by (used in) operating activities: | | |
| Depreciation | 141,398 | 130,605 |
| (Increase) decrease in value of endowment assets held by third parties | 1,258 | 969 |
| Net unrealized loss (gain) on investments | (125,386) | (84,250) |
| (Increase) decrease in operating assets | | |
| Receivables | 117,204 | 54,495 |
| Inventory | (1,717) | 9,460 |
| Prepaid expenses and other assets | 11,737 | (2,916) |
| Promises to Give | 40,000 | (40,000) |
| Increase (decrease) in operating liabilities | | |
| Accounts payable and accrued expenses | 1,344 | 8,204 |
| Unearned revenue | 4,747 | 21,111 |
| Net cash provided by (used in) operating activities | <u>760,383</u> | <u>982,068</u> |
| Cash Flows from Investing Activities | | |
| Purchases and sales of investments (net) | (539,412) | (3,274,536) |
| Purchases and Disposals of property and equipment (net) | <u>55,710</u> | <u>1,188,063</u> |
| Net cash provided by (used in) investing activities | <u>(483,702)</u> | <u>(2,086,473)</u> |
| Increase (Decrease) in Cash and Cash Equivalents | \$ 276,681 | \$(1,104,405) |
| Cash and Cash Equivalents | | |
| Beginning of year | <u>66,737</u> | <u>1,171,142</u> |
| End of year | <u>\$ 343,418</u> | <u>\$ 66,737</u> |

See accompanying notes and independent auditor's report.

SAN DIEGO CENTER FOR THE BLIND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

| | <u>Program</u> | <u>Management</u> | <u>Fundraising</u> | <u>Total</u> |
|--|----------------------------|--------------------------|--------------------------|----------------------------|
| Salaries | \$ 883,014 | \$ 108,717 | \$ 73,131 | \$ 1,064,862 |
| Payroll taxes | 64,620 | 7,956 | 5,352 | 77,928 |
| Employee health and benefits | 117,694 | 14,490 | 9,747 | 141,931 |
| Total salaries and related expenses | <u>1,065,328</u> | <u>131,163</u> | <u>88,230</u> | <u>1,284,721</u> |
| Fundraising | - | - | 9,368 | 9,368 |
| Public Relations | 63,231 | - | - | 63,231 |
| Transportation operating costs | 32,561 | - | - | 32,561 |
| Employee mileage reimbursement | 5,957 | 733 | 493 | 7,183 |
| Program supplies and advertising | 45,834 | 6,306 | - | 52,140 |
| Occupancy repairs and maintenance | 54,057 | 6,655 | 4,477 | 65,189 |
| Office, supplies, postage & dues | 26,178 | 3,223 | 2,168 | 31,569 |
| Utilities | 31,161 | 3,837 | 2,581 | 37,579 |
| Telephone | 9,464 | 1,165 | 784 | 11,413 |
| Accounting, Legal & Other Fees | 4,208 | 518 | 348 | 5,074 |
| Professional development, conferences, computer exp. | 2,980 | 367 | 247 | 3,594 |
| Miscellaneous | 6,314 | 777 | 523 | 7,614 |
| Total expenses before depreciation | <u>1,347,273</u> | <u>154,744</u> | <u>109,219</u> | <u>1,611,236</u> |
| Depreciation | <u>117,251</u> | <u>14,436</u> | <u>9,711</u> | <u>141,398</u> |
| Total Expenses | <u><u>\$ 1,464,524</u></u> | <u><u>\$ 169,180</u></u> | <u><u>\$ 118,930</u></u> | <u><u>\$ 1,752,634</u></u> |

See accompanying notes and independent auditor's report.

SAN DIEGO CENTER FOR THE BLIND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

| | Program | Management and General | Fundraising | Total |
|--|---------------------|---------------------------|-------------------|---------------------|
| Salaries | \$ 907,030 | \$ 99,579 | \$ 74,063 | \$ 1,080,672 |
| Payroll taxes | 67,277 | 7,386 | 5,494 | 80,157 |
| Employee health and benefits | 118,437 | 13,003 | 9,671 | 141,111 |
| Total salaries and Related Benefits | <u>1,092,744</u> | <u>119,968</u> | <u>89,228</u> | <u>1,301,940</u> |
| Fundraising | - | - | 10,927 | 10,927 |
| Public Relations | 66,877 | - | - | 66,877 |
| Transportation operating costs | 38,863 | - | - | 38,863 |
| Program supplies and advertising | 32,271 | 6,598 | - | 38,869 |
| Employee mileage reimbursement | 5,262 | 577 | 430 | 6,269 |
| Facility cleaning and maintenance | 31,776 | 3,488 | 2,595 | 37,859 |
| Office, supplies, postage, & dues | 12,719 | 1,396 | 1,039 | 15,154 |
| Utilities | 33,986 | 3,731 | 2,775 | 40,492 |
| Telephone | 9,866 | 1,083 | 806 | 11,755 |
| Accounting & Other Fees | 9,963 | 1,094 | 814 | 11,871 |
| Professional development & conferences | 7,551 | 829 | 617 | 8,997 |
| Miscellaneous | <u>4,714</u> | <u>518</u> | <u>385</u> | <u>5,617</u> |
| Total expenses before depreciation | 1,346,592 | 139,282 | 109,616 | 1,595,490 |
| Depreciation | <u>109,619</u> | <u>12,035</u> | <u>8,951</u> | <u>130,605</u> |
| Total Expenses | <u>\$ 1,456,211</u> | <u>\$ 151,317</u> | <u>\$ 118,567</u> | <u>\$ 1,726,095</u> |

See accompanying notes and independent auditor's report.

SAN DIEGO CENTER FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1. NATURE OF ORGANIZATION

San Diego Center for the Blind (the Organization) is a voluntary health agency and a California not-for-profit corporation. Incorporated on June 12, 1976, the Organization's exempt purpose is to provide orientation and mobility, training, counseling, and teaching of daily living skills for sight-impaired individuals of San Diego County. The Organization's primary location is in San Diego, California and also has a branch located in Vista, California.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the recommendations of the American Institute of Certified Public Accountants in its industry guide, *Audits of Voluntary Health and Welfare Organizations*. The significant accounting policies are described below:

Accounting Method

The Organization utilizes the accrual method of accounting for financial statement presentation, in accordance with accounting principles generally accepted in the United States of America.

Grant and Contract Support

Services are rendered to clients referred to San Diego Center for the Blind by the California State Department of Rehabilitation on a fee basis and are billed and paid monthly. The Organization recognizes government service contract fees in the period in which the related expenses are incurred. Department of Rehabilitation revenues are recognized and recorded in the same month as services are rendered.

Other Revenue Recognition

Revenue from donations, bequests, fund raisers, etc. are available for general use unless specifically restricted by the donor. Other than promises to give, revenue from donations and bequests are not recognized until received.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible promises receivable. The allowance, if applicable, is based on prior years' experience and management's analysis of specific promises made.

Donated Services

Donated services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such services.

Inventory

Inventory, which consists of canes and other aids for the vision-impaired, is stated at lower of cost or market value.

Basis of Presentation

Financial Statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, restricted, and permanently restricted net assets.

SAN DIEGO CENTER FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Restricted Support and Net Assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period, are reported as unrestricted support in the period.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Property and Equipment

Land, buildings and improvements, transportation vehicles, and office furniture and equipment have been recorded at cost if purchased or at fair market value at the time of donation. Depreciation is provided over the estimated useful lives of the respective depreciable assets on a straight-line basis. It is the Organization's policy to capitalize fixed assets which exceed \$1,000 in cost or donated value.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with initial maturity of three months or less to be cash equivalents.

Investments

The Organization records all investments in debt and equity securities at fair market value. Donated investments are initially recorded at their fair value at the date of the donation. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investments in land and building are recorded at estimated fair value at the date of the gift.

Income Tax Status

San Diego Center for the Blind is an organization formed under Internal Revenue Code Section 501 (c)(3) and Section 23701(a) of the California code. The Organization had no unrelated business income during the year and is therefore not liable for any income tax. Accordingly, no provision for Federal and California income taxes has been made in these financial statements.

SAN DIEGO CENTER FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

The Organization recognized the financial statement benefit of tax positions, such as its income tax exempt filing status, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California purposes is generally three and four years, respectively.

Allocation of Functional Expenses

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Concentration of Cash and Cash Equivalents Held in Banks

The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

NOTE 3. INVESTMENTS

Investments consist of (1) premium investment grade mutual funds, savings bonds, treasury bonds, and equity securities from corporations throughout the United States and are carried at market value and (2) rental real estate carried at fair market value at the time of the donation:

| | <u>2016</u> | <u>2015</u> |
|---------------------------------------|--------------------|--------------------|
| <u>Unrestricted</u> | | |
| Corporate stocks and bonds | \$6,843,956 | \$6,450,401 |
| | <u>\$6,843,956</u> | <u>\$5,450,401</u> |
| <u>Permanently Restricted</u> | | |
| Endowment funds held by a third party | <u>22,644</u> | <u>23,902</u> |
| | \$ <u>22,644</u> | \$ <u>23,902</u> |

NOTE 4. PROPERTY AND EQUIPMENT

Property and Equipment are summarized as follows:

| | <u>2016</u> | <u>2015</u> |
|--|--------------------|---------------------|
| Land, buildings, and improvements | \$2,468,064 | \$2,464,088 |
| Office furniture, equipment, and computers | 333,510 | 299,006 |
| Transportation vehicles | <u>445,705</u> | <u>428,475</u> |
| | <u>\$3,247,279</u> | <u>3,191,569</u> |
| Less accumulated depreciation | <u>(1,610,546)</u> | <u>(1,628,971)</u> |
| | <u>\$1,636,733</u> | <u>\$ 1,562,899</u> |

The City of San Diego assisted in making improvements to one building with \$118,000 of Community Development Block Grant funds. If the Organization disposes of the building prior to June 19, 2020, the funds are required to be returned to the City of San Diego.

SAN DIEGO CENTER FOR THE BLIND
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016 and 2015

NOTE 5. CONTINGENCY

The Organization has grants and contracts with government agencies which are subject to audit. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. Management believes that any liability, which may result from these audits, is not material.

NOTE 6. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$22,644 (\$23,902 for the year ended June 30, 2015) are restricted to investment in perpetuity, the income from which is available to support activities of the Organization.

NOTE 7. INVESTMENT INCOME

| | <u>2016</u> | <u>2015</u> |
|----------------------------|-------------------|-------------------|
| Interest Income | \$ 1,338 | \$ 1,130 |
| Dividend Income | 185,448 | 148,258 |
| Realized Gain/(Loss) | | |
| On Sale of Investments | -- | 66,811 |
| Unrealized Gain/(Loss) | | |
| On Investments | <u>125,386</u> | <u>84,250</u> |
| Total | 312,172 | 300,449 |
| Less Investment Expenses | <u>(22,280)</u> | <u>(14,790)</u> |
| Net Investment Gain (Loss) | <u>\$ 289,892</u> | <u>\$ 285,659</u> |

NOTE 8. SALE OF RENTAL REAL ESTATE

The Organization sold both of their rental real estate properties during the year ended June 30, 2015. The first was a commercial building located at 3038 University Avenue, San Diego, California .

| | |
|-----------------------|--------------------|
| Gross Sale | \$1,700,000 |
| Less Selling Expenses | (75,100) |
| Less Cost Basis | <u>(360,000)</u> |
| Realized Gain on Sale | <u>\$1,264,490</u> |

Since the Organization owned a 1/8 interest in the building, the Organization realized a gain of \$158,112 on this sale.

SAN DIEGO CENTER FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

The second property was a three unit apartment building located at 801 Silverado, La Jolla, California.

| | |
|-------------------------------|-------------------|
| Gross Sale | \$1,500,000 |
| Less Selling Expenses | (69,205) |
| Less Cost Basis | (1,200,000) |
| Less Accumulated Depreciation | (<u>32,000</u>) |
| Realized Gain on Sale | <u>\$ 198,795</u> |

NOTE 9. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 11, 2017, the date that the financial statements were available to be issued.