



Certified Public Accountants, LLP

JUNIOR BLIND OF AMERICA



FINANCIAL STATEMENTS

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Junior Blind of America

Report on the Financial Statements

We have audited the accompanying financial statements of Junior Blind of America (a nonprofit organization), which comprise of the Statement of Financial Position as of June 30, 2017, 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 audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Junior Blind of America as of June 30, 2017, 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.

INDEPENDENT AUDITORS' REPORT

continued

Report on Summarized Comparative Information

We have previously audited Junior Blind of America's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2017, on our consideration of Junior Blind of America'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 solely 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 Junior Blind of America'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 Junior Blind of America's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

October 25, 2017

JUNIOR BLIND OF AMERICA

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With comparative totals at June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017	2016
ASSETS					
Cash	\$ 667,122	\$ -	\$ 10,000	\$ 677,122	\$ 1,342,492
Accounts and grants receivable	3,685,686			3,685,686	3,120,863
Pledges receivable (Note 3)	1,380,461	430,850		1,811,311	2,285,513
Prepaid expenses and other assets	2,154,165			2,154,165	1,822,470
Investments (Note 4)	23,426,182	147,453	409,880	23,983,515	21,075,608
Property held for investment	2,987,000			2,987,000	2,987,000
Property and equipment (Note 6)	14,465,464			14,465,464	13,730,058
TOTAL ASSETS	\$ 48,766,080	\$ 578,303	\$ 419,880	\$ 49,764,263	\$ 46,364,004
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 478,085	\$ -	\$ -	\$ 478,085	\$ 368,614
Accrued liabilities (Note 7)	3,309,401			3,309,401	3,491,753
Accrued unemployment liability (Note 8)	88,475			88,475	88,120
Loan (Note 9)	666,667			666,667	1,000,000
TOTAL LIABILITIES	4,542,628	-	-	4,542,628	4,948,487
NET ASSETS					
Unrestricted	6,331,806			6,331,806	6,152,651
Unrestricted - property, plant, and equipment (Note 2)	14,465,464			14,465,464	13,730,058
Unrestricted - board designated (Note 2)	23,426,182			23,426,182	20,376,783
Temporarily restricted (Note 11)		578,303		578,303	736,145
Permanently restricted (Note 12)			419,880	419,880	419,880
TOTAL NET ASSETS	44,223,452	578,303	419,880	45,221,635	41,415,517
TOTAL LIABILITIES AND NET ASSETS	\$ 48,766,080	\$ 578,303	\$ 419,880	\$ 49,764,263	\$ 46,364,004

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

JUNIOR BLIND OF AMERICA

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017</u>	<u>2016</u>
REVENUE					
Private support					
Wills and bequests	\$ 5,367,428	\$ -	\$ -	\$ 5,367,428	\$ 2,471,272
Donated property (Note 5)	-			-	1,250,000
Other contributions	2,426,045			2,426,045	2,597,148
Contributed goods and services (Note 5)	601,675			601,675	477,999
	<u>8,395,148</u>	<u>-</u>	<u>-</u>	<u>8,395,148</u>	<u>6,796,419</u>
Government fees and other revenue					
Government contracts, fees for service, and grants (Note 13)	19,594,734			19,594,734	16,697,025
Other revenue	465,001			465,001	449,446
Net assets released from restrictions	157,842	(157,842)		-	-
	<u>20,217,577</u>	<u>(157,842)</u>	<u>-</u>	<u>20,059,735</u>	<u>17,146,471</u>
Other changes					
Investment income, net of fees	401,695			401,695	330,021
Interest on notes receivable	-			-	2,213
Gain/(loss) on investments	2,468,659			2,468,659	(1,077,414)
	<u>2,870,354</u>	<u>-</u>	<u>-</u>	<u>2,870,354</u>	<u>(745,180)</u>
TOTAL REVENUE	<u>31,483,079</u>	<u>(157,842)</u>	<u>-</u>	<u>31,325,237</u>	<u>23,197,710</u>
EXPENSES					
Program services					
Group home residential program	4,069,525			4,069,525	3,802,507
TSC The Cottage	3,660,262			3,660,262	1,518,777
Children's residential program	3,561,369			3,561,369	3,228,275
Children's special education school	2,225,203			2,225,203	2,725,698
Davidson program for independence	1,789,162			1,789,162	2,104,989
Infant and early childhood programs	1,551,437			1,551,437	1,515,076
Mental health services	1,349,849			1,349,849	1,318,660
Camp and recreation programs	1,329,369			1,329,369	1,426,687
Blind babies	972,618			972,618	1,093,236
Program initiatives	924,689			924,689	500,956
Hatlen Center	872,124			872,124	849,246
Student transition and enrichment program	711,927			711,927	645,120
Public education program	452,670			452,670	527,585
Children's outreach and prevention program	184,610			184,610	319,569
Total program services	<u>23,654,814</u>	<u>-</u>	<u>-</u>	<u>23,654,814</u>	<u>21,576,381</u>
Supporting services					
Management and administrative	2,392,004			2,392,004	2,338,363
Fundraising and public relations	1,472,301			1,472,301	1,629,740
Total supporting services	<u>3,864,305</u>	<u>-</u>	<u>-</u>	<u>3,864,305</u>	<u>3,968,103</u>
TOTAL EXPENSES	<u>27,519,119</u>	<u>-</u>	<u>-</u>	<u>27,519,119</u>	<u>25,544,484</u>
CHANGE IN NET ASSETS	3,963,960	(157,842)	-	3,806,118	(2,346,774)
NET ASSETS, BEGINNING OF YEAR	<u>40,259,492</u>	<u>736,145</u>	<u>419,880</u>	<u>41,415,517</u>	<u>43,762,291</u>
NET ASSETS, END OF YEAR	<u>\$ 44,223,452</u>	<u>\$ 578,303</u>	<u>\$ 419,880</u>	<u>\$ 45,221,635</u>	<u>\$ 41,415,517</u>

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

JUNIOR BLIND OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017
With comparative totals for the year ended June 30, 2016

	Children's Services							Youth and Adult Services							
	Infant & Early Childhood Programs	Blind Babies	Children's Special Education School	Children's Residential Program	Mental Health Services	Children's Outreach and Prevention Program	TSC The Cottage	Student Transition and Enrichment Program	Davidson Program for Independence	Hatden Center	Group Homes Residential Program	Camp and Recreation Program	Strategic Initiatives	Public Education Programs	Total Program Services
Salaries	\$ 1,022,536	\$ 677,718	\$ 1,239,716	\$ 2,022,981	\$ 924,058	\$ 102,407	\$ 2,364,278	\$ 380,301	\$ 1,010,954	\$ 533,221	\$ 2,499,130	\$ 287,000	\$ 379,777	\$ 321,591	\$ 13,765,668
Payroll taxes	77,369	49,491	83,302	142,975	68,019	7,922	169,711	28,675	74,361	39,025	144,767	19,756	28,405	19,491	953,269
Employee benefit	143,671	96,683	247,408	349,001	108,794	26,293	426,483	60,974	204,273	122,297	355,047	85,019	66,326	70,058	2,362,327
Total personnel costs	1,243,576	823,892	1,570,426	2,514,957	1,100,871	136,622	2,960,472	469,950	1,289,588	694,543	2,998,944	391,775	474,508	411,140	17,081,264
Professional fees	27,084	26,593	114,543	173,379	110,508	4,405	220,220	16,576	93,208	32,087	351,273	187,007	388,611	10,230	1,755,724
Contract food services	9,850	554	101,976	193,058	17	4,720	100,246	24,870	78,204	151	154,671	198,192	2		866,511
Maintenance	2,738	3,094	57,194	106,624	16,385	1,735	59,808	1,710	56,812	709	90,127	82,234	4,404	3,120	486,694
Supplies	43,919	7,118	25,382	153,052	6,163	853	55,692	15,414	36,170	5,032	128,676	11,939	13,405	606	503,421
Travel and transportation	134,685	61,849	136,026	53,647	11,407	13,664	5,787	157,762	9,842	8,212	51,203	34,004	514	70	678,672
Utilities	4,707	779	29,352	48,059	22,192	2,218	56,337	3,543	24,105	3,604	35,780	43,449	8,903	6,333	289,361
Insurance	12,629	8,247	20,818	31,044	14,827	1,603	36,955	5,073	16,202	6,556	34,210	13,817	6,594	5,086	213,661
Contract labor	479	660	36,760	49,662	3,397	7,061	35,372	687	70,924	4,280	29,042	41,101	32	23	279,480
Other expenses	19,793	3,475	14,551	16,214	7,868	437	16,872	3,145	10,489	9,173	20,386	4,364	7,161	1,782	135,710
Rent		19,996								79,562	47,748				147,306
Telephone	11,496	10,691	7,492	14,362	9,782	1,047	16,073	4,077	15,546	8,714	23,422	8,777	2,362	1,618	135,459
Event Expenses	28,599	2,785	272	223	8	1	77	341	96	31	45,644	3	358	78,438	
Postage	1,063	1,537	1,351	2,172	1,014	104	2,517	546	1,215	950	2,680	474	464	274	16,361
Taxes and licenses	648	224	8,748	9,118	2,538	1,205	6,482	496	3,095	276	8,721	5,496	6,974	729	54,750
Publication and media	1,007	210	131	314	504	1	273	131	168	97	226	321	215	2,343	5,941
Recreation										4,351		11,581			15,932
Total expenses before depreciation	1,542,273	971,704	2,125,022	3,365,885	1,307,481	175,676	3,573,183	704,321	1,705,664	858,297	3,977,140	1,080,175	914,152	443,712	22,744,685
Depreciation	9,164	914	100,181	195,484	42,368	8,934	87,079	7,606	83,498	13,827	92,385	249,194	10,537	8,958	910,129
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 1,551,437	\$ 972,618	\$ 2,225,203	\$ 3,561,369	\$ 1,349,849	\$ 184,610	\$ 3,660,262	\$ 711,927	\$ 1,789,162	\$ 872,124	\$ 4,069,525	\$ 1,329,369	\$ 924,689	\$ 452,670	\$ 23,654,814
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 1,515,076	\$ 1,093,236	\$ 2,725,698	\$ 3,228,275	\$ 1,318,660	\$ 319,569	\$ 1,518,777	\$ 645,120	\$ 2,104,989	\$ 849,246	\$ 3,802,507	\$ 1,426,687	\$ 500,956	\$ 527,585	\$ 21,576,381

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

JUNIOR BLIND OF AMERICA

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2017
 With comparative totals for the year ended June 30, 2016
 continued

	Total Program Services	Supporting Services		Total Supporting Services	Total Expenses	
		Management and Administrative	Fundraising and Public Relations		2017	2016
Salaries	\$ 13,765,668	\$ 1,026,590	\$ 789,280	\$ 1,815,870	\$ 15,581,538	\$ 14,125,081
Payroll taxes	953,269	57,619	49,817	107,436	1,060,705	940,371
Employee benefit	2,362,327	209,955	151,943	361,898	2,724,225	2,293,279
Total personnel costs	17,081,264	1,294,164	991,040	2,285,204	19,366,468	17,358,731
Professional fees	1,755,724	512,806	84,819	597,625	2,353,349	2,000,236
Contract food services	866,511	26,939	69	27,008	893,519	806,277
Travel and transportation	678,672	15,443	10,579	26,022	704,694	635,385
Supplies	503,421	50,800	11,931	62,731	566,152	798,709
Maintenance	486,694	49,279	15,108	64,387	551,081	847,354
Utilities	289,361	22,154	17,391	39,545	328,906	329,669
Other expenses	135,710	182,547	8,062	190,609	326,319	262,715
Contract labor	279,480	21,432	7,590	29,022	308,502	265,289
Insurance	213,661	43,329	12,453	55,782	269,443	289,399
Contract services	-	-	172,132	172,132	172,132	196,222
Rent	147,306	-	16,754	16,754	164,060	180,907
Telephone	135,459	11,854	4,254	16,108	151,567	128,487
Event expenses	78,438	27,702	6	27,708	106,146	111,167
Postage	16,361	1,863	71,636	73,499	89,860	101,679
Taxes and licenses	54,750	6,377	2,124	8,501	63,251	71,104
Interest	-	30,891	-	30,891	30,891	49,636
Publication and media	5,941	421	24,363	24,784	30,725	34,046
Recreation	15,932	-	-	-	15,932	17,977
Total expenses before depreciation	22,744,685	2,298,001	1,450,311	3,748,312	26,492,997	24,484,989
Depreciation	910,129	94,003	21,990	115,993	1,026,122	1,059,495
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 23,654,814	\$ 2,392,004	\$ 1,472,301	\$ 3,864,305	\$ 27,519,119	
TOTAL 2016 FUNCTIONAL EXPENSES	\$ 21,576,381	\$ 2,338,363	\$ 1,629,740	\$ 3,968,103		\$ 25,544,484

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

JUNIOR BLIND OF AMERICA

STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 3,806,118	\$ (2,346,774)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated property	-	(1,250,000)
Depreciation	1,026,122	1,059,495
(Gain)/loss on investments	(2,468,659)	1,077,414
Investment income, net of fees	(401,695)	(330,021)
(Increase) decrease in operating assets:		
Accounts and grants receivable	(564,823)	(596,401)
Pledges receivable	(775,798)	(302,233)
Prepaid expenses	(331,695)	(461,561)
Increase (decrease) in operating liabilities:		
Accounts payable	109,471	(90,253)
Accrued liabilities	(182,352)	1,540,448
Accrued unemployment liability	355	-
	217,044	(1,699,886)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,226,013	2,518,851
Purchase of property and equipment	(511,529)	(955,211)
Purchase of investments	(1,263,565)	(6,904)
Payments on note receivable	-	397,632
	(549,081)	1,954,368
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan borrowings	800,000	-
Loan payments	(1,133,333)	(250,000)
	(333,333)	(250,000)
NET CASH (USED) BY FINANCING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH	(665,370)	4,482
CASH, BEGINNING OF YEAR	1,342,492	1,338,010
CASH, END OF YEAR	\$ 677,122	\$ 1,342,492
NON-CASH INVESTING TRANSACTION:		
Reclassification of property from pledges receivable to property and equipment	\$ 1,250,000	\$ -

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

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

1. Organization

Originally established in 1953 as the *Foundation for the Junior Blind*, Junior Blind of America (“Junior Blind”) ensures that children, youth and adults facing the greatest challenges always have a place to turn. We offer individuals who have physical, developmental and/or emotional challenges early intervention, education, rehabilitation, residential treatment, mental health and recreation services. Thanks to generous philanthropic support, Junior Blind is able to offer all of our services at no cost to students and families—92 percent of whom are low income.

Children’s Services

- *Infant & Early Childhood Program* – The Infant & Early Childhood Program provides in-home early intervention services for babies with vision loss and other disabilities. The two-part program provides intensive infant stimulation services for children up to age three to help prevent and correct developmental delays. For children between the ages of three and six, the program concentrates on assisting them with their transition to the public special education system, while empowering their parents with greater knowledge and the skills to become their best advocate.
- *Blind Babies Foundation* – Founded in 1949, Blind Babies Foundation became a program of Junior Blind July 1, 2014. It provides in-home early intervention services to Central and Northern California babies from birth to six years old with vision problems—many of whom have additional disabilities. Vision Impairment Specialists also help families through parent education, referrals to resources, accompaniment to medical appointments, invitations to social events with other families who share their circumstances and by supporting their advocacy skills.
- *Special Education School* – Junior Blind’s Special Education School offers children and youth, ages five to 21, who are visually impaired and/or have multiple disabilities a safe and positive environment for learning and growth. Teachers work with students to develop their communication, mobility and independent living skills.
- *Children's Residential Program* – Junior Blind's Children's Residential program offers foster youth—many of whom have serious or life-threatening medical conditions and mental health challenges—a nurturing, highly structured round-the-clock therapeutic setting where they can thrive. Intensive mental health support is provided through individually tailored, specialized approaches which target symptomatic behavioral disturbances and address the barriers preventing return home or to less restrictive community environments.

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

- *Mental Health Services* – Junior Blind has a contract from Los Angeles County's Department of Mental Health to offer counseling services to the children in our Children's Residential Program. For these children whose disabilities or medical conditions are often further complicated by the severe emotional issues caused by abuse and/or neglect, we offer full counseling services along with rehabilitative services that help youth to stabilize their negative behaviors. Junior Blind also offers Mental Health Services to at-risk youth in the community.
- *Transitional Shelter Care* – Junior Blind opened a Transitional Shelter Care program in January 2016 in collaboration with the Department of Children and Family Services. The program offers short-term emergency shelter due to removal or disruption within their families as a result of abuse, neglect, or abandonment.

Children's Outreach and Prevention Programs

- The **After School Enrichment Program** ended in May 2017. It was initially launched in 2008 in response to a low number of after school program options specialized for children with visual impairments. However, in recent years, after school programs in the community have become increasingly inclusive and accepting of children with disabilities, such as visual impairments. The program served a great purpose for nearly 10 years. It integrated children who are visually impaired with children who are sighted, providing them with opportunities for academic support, individual and team sports activities and as cooking and nutrition instruction. The program offered a safe, fun, and educational environment where children can spend time learning from each other, while gaining healthy habits for life. The After School Enrichment Program was licensed to serve up to 45 children per day on our 8-acre campus.

Youth and Adult Services

- *Student Transition & Enrichment Program* – Junior Blind's STEP Community Workshops program is designed to help teens and young adults, ages 16 to 22, identify educational and career interests and obtain the skills needed to reach their goals. In addition to teaching independent living skills, Orientation and Mobility, assistive technology and self-advocacy skills necessary for successful enrollment at a college or university, STEP educators also work with employers to provide students with internship opportunities that are matched to their interests.

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

- *Davidson Program for Independence* – Junior Blind’s Davidson Program for Independence is a comprehensive residential program designed to help adults who are newly blind or visually impaired. Through training in four core areas: Braille, computer skills, orientation and mobility and independent living skills (such as cooking, cleaning, and money management), graduates of the program attain the skills to find employment and enjoy productive and fulfilling lives in their homes and communities.
- *The Hatlen Center* – Junior Blind’s Hatlen Center in San Pablo, California that provides residential programming to adults who are blind. The program offers a unique residential model in which those who are blind or visually impaired accept all of the responsibilities that go along with apartment living - including maintaining their own household, paying their own expenses, shopping for their own groceries and more. With the assistance of on-site instructors, students are taught within their own apartments, acquiring fundamental living skills and applying them in a meaningful, real-world context.

Group Home Residential Program

Junior Blind operates five Group Homes. Each single-family home houses up to six children or six young adults who are multi-disabled, offering them round-the-clock care. All of our Group Homes are conveniently located in our South Los Angeles neighborhood so that they are near enough to Junior Blind that young residents can benefit from attending our Special Education School and all residents may make use of our recreational facilities. Further, residents will be close enough to campus to access our fully staffed 24-hour medical center in case of an emergency.

Camp and Recreation Programs

Junior Blind’s *Camp Bloomfield* provides children and youth who are blind, visually impaired or multi-disabled with a natural and safe environment to develop self-esteem, build independence and fully experience the joys of childhood. This 45-acre campground nestled in the Santa Monica Mountains in Malibu offered various summer camp sessions to more than 1,000 campers of all ages and disabilities, including special sessions for the leadership.

Strategic Initiative

Initiative funds are used as seed funds for new programs or for the expansion of existing programs. Initiative funds also helped support costs related to Junior Blind's merger with Concept 7, Inc. (“Concept 7”) and absorption of the foster family agency program from Masada Homes, as well as strengthening operational infrastructure to support future growth.

Additionally, in 2016, Junior Blind conducted a strategic brand assessment resulting in a recommendation to rebrand the organization with a new name and identity that more closely reflects its scope of work and populations it serves. The new brand will be launched in January 2018.

continued

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

Public Education Program

Through public education, Junior Blind informs and educates students, families and professionals about important issues surrounding disabilities and child welfare.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Junior Blind are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Unrestricted – Property, Plant, and Equipment. These are funds that have been set aside for property and equipment replacement and/or program expansion. For purposes of complying with net asset accounting, this fund is included in unrestricted net assets at June 30, 2017, with a balance of \$14,465,464.

Unrestricted – Board designated. These are comprised of resources that the Board of Directors has established as being designated for particular purposes. For purposes of complying with net asset accounting, this fund is included in unrestricted net assets at June 30, 2017, with a balance of \$23,426,182.

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Temporarily Restricted. Junior Blind reports gifts of cash and other assets as temporarily 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 the purpose of the 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 program or capital restrictions. At June 30, 2017, Junior Blind has \$578,303 in temporarily restricted net assets.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Junior Blind to expend all of the income (or other economic benefits) derived from the donated assets. At June 30, 2017, Junior Blind has \$419,880 in permanently restricted net assets.

Accounts Receivable

Accounts receivable are primarily receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

Junior Blind values its investments at fair value. Gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain (loss) on investments. Investment gain of \$2,870,654 is reflected in the Statement of Activities and is shown as net of investment fees of \$73,935 for the year ended June 30, 2017. Cash and/or money market funds not used for operations are included in investments.

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Junior Blind is required to measure current year pledges, certain investments, and in-kind contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Concentration of Credit Risks

Junior Blind places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Junior Blind has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2017 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risk with respect to trade receivables are limited, as the majority of Junior Blind's receivables consist of earned fees from contract programs granted by governmental agencies.

Junior Blind holds investments in the form of real estate, equities, fixed income securities, mutual funds, and money market funds. The Board of Directors routinely reviews market values of such investments.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Junior Blind reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable.

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue Recognition

Revenue from government contracts or grants is recorded to the extent of expenses incurred under the grant, unless the contract is fee for service.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services or goods that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. The value of in-kind contributions received for the year ended June 30, 2017 was \$601,675. Of this amount, \$574,077 is related to legal services and is included in professional fees on the Statement of Functional Expenses.

Income Taxes

Junior Blind is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Junior Blind in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Junior Blind's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Junior Blind's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Junior Blind uses percentage of use, salaries, number of employees, number of meals served, mileage and direct costs to allocate indirect costs.

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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Junior Blind's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

3. Pledges Receivable

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Additionally, all pledges are valued at their estimated fair value and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2017. The discounts on those amounts are computed using IRS life expectancy index applicable to the years in which the promises are received. Total amount of pledges receivable at June 30, 2017 is \$1,811,311, which represents as follows:

Pledges receivable, gross	\$ 500,000
Less: unamortized discount on pledges receivable	<u>(69,150)</u>
	430,850
Other	<u>1,380,461</u>
	<u>\$1,811,311</u>
Gross pledge amounts due in:	
Three to five years	<u>\$1,811,311</u>

4. Investments

Investments as of June 30, 2017 consists of the following:

U.S. domestic composite	\$10,291,347
Fixed income composite	7,671,985
Non-U.S. equity composite	3,535,626
Hedge fund	2,152,332
Cash	182,773
Money market	147,452
Land	<u>2,000</u>
Total	<u>\$23,983,515</u>

continued

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

5. Fair Value Measurements

The table below presents the balances of assets or liabilities measured at fair value as of June 30, 2017 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. stocks	\$10,291,347	\$ -	\$ -	\$10,291,347
Fixed income	7,671,985			7,671,985
Foreign	3,535,626			3,535,626
Hedge fund			2,152,332	2,152,332
Land		2,000		2,000
Total	<u>\$21,498,958</u>	<u>\$2,000</u>	<u>\$2,152,332</u>	<u>\$23,653,290</u>

The fair values of mutual funds and equity funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The fair value of land has been measured on a recurring basis using quoted prices in inactive markets for the same or similar assets (Level 2 inputs).

The fair value of hedge funds is measured on a recurring basis using the best information available when there is little or no market (Level 3 inputs).

The following is a reconciliation of the Level 3 assets as of June 30, 2017:

Fair value at July 1, 2016	\$ 2,061,177
Withdrawal	(2,107,778)
Purchase - new	2,152,332
Change in market value	46,601
Fair value at June 30, 2017	<u>\$ 2,152,332</u>

The table below presents the transaction measured at fair value on a non-recurring basis as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed property, goods, and services	<u>\$ -</u>	<u>\$601,675</u>	<u>\$ -</u>	<u>\$601,675</u>

The fair value of contributed property, goods, and services have been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

6. Property and Equipment

Property and equipment as of June 30, 2017 consist of the following:

	<u>Junior Blind Facilities</u>	<u>Camp Bloomfield</u>	<u>Total</u>
Land	\$ 2,190,983	\$ 1,850,000	\$ 4,040,983
Buildings	13,350,056	5,179,782	18,529,838
Furniture and equipment	7,857,199	455,810	8,313,009
Improvements	<u>4,690,221</u>	<u>673,487</u>	<u>5,363,708</u>
	28,088,459	8,159,079	36,247,538
Less: accumulated depreciation	<u>(15,636,293)</u>	<u>(3,158,781)</u>	<u>(18,795,074)</u>
	<u>\$ 12,452,166</u>	<u>\$ 5,000,298</u>	<u>\$ 17,452,464</u>

Included in buildings and improvements under Junior Blind facilities, are properties held for investments with values amounting to \$2,870,270 and \$116,730 respectively.

7. Accrued Liabilities

Accrued liabilities as of June 30, 2017 consist of the following:

Other accrued liabilities	\$1,271,045
Contract advances	882,485
Accrued payroll and taxes	592,087
Accrued vacation	<u>563,784</u>
	<u>\$3,309,401</u>

8. Accrued Unemployment Liability

Junior Blind has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability of \$88,475 represents estimated future claims arising from payroll paid to June 30, 2017. Unemployment expense for the year ended June 30, 2017 was \$101,510.

9. Loan

Junior Blind has an existing loan with a bank in the amount of \$666,667, bearing interest at a fixed rate per annum of 2.50% above libor. As of June 30, 2017, the outstanding balance on the loan is \$666,667.

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JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

10. Contracts and Grants

Junior Blind's contracts and grants are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Junior Blind has no provisions for the possible disallowance of program costs on its financial statements.

11. Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2017 consist of the following:

Program services	<u>\$578,303</u>
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For the year ended June 30, 2017, \$157,842 of net assets was released from program restrictions.

12. Permanently Restricted Net Assets

Permanently restricted net assets represent contributions which the donor has stipulated that the principal is to be kept intact in perpetuity and only the interest and dividends from there may be expended for the needs of the organization and children. As of June 30, 2017, permanently restricted net assets were \$419,880.

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.

Junior Blind 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, Junior Blind classifies as permanently restricted net assets (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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 portions of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Junior Blind in a manner consistent with the standard of prudence prescribed by UPMIFA.

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

12. Permanently Restricted Net Assets, continued

Endowment net assets composition by type of fund as of June 30, 2017 is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Donor restricted endowment funds	\$ -	\$419,880	<u>\$419,880</u>

Changes in endowment net assets as of June 30, 2017 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Endowment Net Assets</u>
Beginning balance, July 1, 2016	\$ -	\$419,880	<u>\$419,880</u>
Interest and dividends	6,944		<u>6,944</u>
Transfer to unrestricted	<u>(6,944)</u>		<u>(6,944)</u>
Ending balance, June 30, 2017	<u>\$ -</u>	<u>\$419,880</u>	<u>\$419,880</u>

13. Government Contracts and Fees for Service

Government contracts and fees for service as of June 30, 2017 consist of the following:

California Department of Social Services	\$ 7,562,873
Regional centers – various	5,525,851
State of California Department of Rehabilitation	2,899,186
Various school districts – special education program	1,959,148
Department of Mental Health	1,454,467
Department of Education – nutrition program	100,409
Alameda County Health Care Services Agency	67,800
Community Development Block Grant	<u>25,000</u>
	<u>\$19,594,734</u>

14. Perpetual Charitable Trust

Junior Blind was made a beneficiary of a perpetual charitable trust in 1985. According to the trust agreement, Junior Blind is entitled to one-sixth of the net income generated from a Texas oil property and related investments. Due to the nature of the property, the fair value of this contribution cannot be determined at this time. Accordingly, the value of future income to be received from the trust has not been recorded in the accompanying financial statements and income generated from the trust is recognized as income when received.

continued

JUNIOR BLIND OF AMERICA

NOTES TO FINANCIAL STATEMENTS

15. Employee Benefit Plans

Junior Blind has a 401(k) profit sharing plan covering all employees who worked at least three months during the plan year and are eligible to participate in the plan. Junior Blind matches up to 4% of the employee's deferred salary as approved by the plan documents. The 401(k) profit sharing plan expense for the year ended June 30, 2017 was \$358,377.

Junior Blind also has a deferred compensation plan under Section 457 of the Internal Revenue Code for highly compensated employees. The expense under this plan for the year ended June 30, 2017 was \$98,184.

16. Subsequent Event

In February 2017, Junior Blind entered into a merger agreement with Concept 7, a California nonprofit public benefit corporation.

In July 2017, Junior Blind executed the merger agreement by assuming control of Concept 7, which continues to operate as a separate entity. No adjustments were made during the fiscal year end June 30, 2017 as part of this transaction.