

**Vista Center for the Blind and
Visually Impaired**

Financial Statements

June 30, 2017
(With Comparative Totals for 2016)



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Vista Center for the Blind and Visually Impaired
Palo Alto, California

We have audited the accompanying financial statements of Vista Center for the Blind and Visually Impaired (a California nonprofit corporation) (the "Organization"), which comprise 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vista Center for the Blind and Visually Impaired 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.

Report on Summarized Comparative Information

We have previously audited Vista Center for the Blind and Visually Impaired's 2016 financial statements, and our report dated August 26, 2016 expressed an unmodified opinion on those audited financial statements. 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.

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

Armanino^{LLP}
San Jose, California

November 16, 2017

Vista Center for the Blind and Visually Impaired
Statement of Financial Position
June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 159,133	\$ 340,294
Investments	3,211,241	2,911,009
Pledges receivable	64,836	67,442
Accounts receivable	102,198	75,827
Grants receivable	3,316	27,544
Prepaid expenses	1,078,466	1,063,931
Inventory	41,291	42,130
Property, equipment, and leasehold improvements, net	1,077,073	408,729
Endowment investments	2,620,951	2,520,951
 Total assets	 \$ 8,358,505	 \$ 7,457,857
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 156,037	\$ 123,715
Deferred revenue	18,990	10,291
Total liabilities	175,027	134,006
 Net assets		
Unrestricted		
Undesignated	3,754,926	3,820,466
Investment in property and equipment	1,077,073	408,729
Total unrestricted	4,831,999	4,229,195
Temporarily restricted	730,528	573,705
Permanently restricted	2,620,951	2,520,951
Total net assets	8,183,478	7,323,851
 Total liabilities and net assets	 \$ 8,358,505	 \$ 7,457,857

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

Vista Center for the Blind and Visually Impaired
Statement of Activities
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Support, revenue and other revenue					
Support					
Contributions and grants	\$ 1,224,858	\$ 132,221	\$ 100,000	\$ 1,457,079	\$ 1,547,454
In-kind contributions	<u>48,164</u>	<u>-</u>	<u>-</u>	<u>48,164</u>	<u>70,583</u>
Total support	<u>1,273,022</u>	<u>132,221</u>	<u>100,000</u>	<u>1,505,243</u>	<u>1,618,037</u>
Revenue					
Sales to public	122,986	-	-	122,986	97,057
Less: cost of sales to public	<u>(99,107)</u>	<u>-</u>	<u>-</u>	<u>(99,107)</u>	<u>(67,103)</u>
Total revenue	<u>23,879</u>	<u>-</u>	<u>-</u>	<u>23,879</u>	<u>29,954</u>
Other revenue					
Special events	24,585	-	-	24,585	15,702
Government grants	398,938	-	-	398,938	360,920
Program service fees	608,993	-	-	608,993	624,213
Investment earnings (losses)	474,470	417,052	-	891,522	(170,090)
Miscellaneous income	4,093	-	-	4,093	8,234
Gain on sale of building	<u>237,998</u>	<u>-</u>	<u>-</u>	<u>237,998</u>	<u>-</u>
Total other revenue	<u>1,749,077</u>	<u>417,052</u>	<u>-</u>	<u>2,166,129</u>	<u>838,979</u>
Net assets released from restriction	<u>392,450</u>	<u>(392,450)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support, revenue and other revenue	<u>3,438,428</u>	<u>156,823</u>	<u>100,000</u>	<u>3,695,251</u>	<u>2,486,970</u>
Functional expenses					
Program services	<u>2,272,516</u>	<u>-</u>	<u>-</u>	<u>2,272,516</u>	<u>2,096,839</u>
Support services					
Management and general	342,137	-	-	342,137	201,803
Fundraising	<u>220,971</u>	<u>-</u>	<u>-</u>	<u>220,971</u>	<u>243,675</u>
Total support services	<u>563,108</u>	<u>-</u>	<u>-</u>	<u>563,108</u>	<u>445,478</u>
Total functional expenses	<u>2,835,624</u>	<u>-</u>	<u>-</u>	<u>2,835,624</u>	<u>2,542,317</u>
Change in net assets	602,804	156,823	100,000	859,627	(55,347)
Net assets, beginning of year	<u>4,229,195</u>	<u>573,705</u>	<u>2,520,951</u>	<u>7,323,851</u>	<u>7,379,198</u>
Net assets, end of year	<u>\$ 4,831,999</u>	<u>\$ 730,528</u>	<u>\$ 2,620,951</u>	<u>\$ 8,183,478</u>	<u>\$ 7,323,851</u>

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

Vista Center for the Blind and Visually Impaired
Statement of Functional Expenses
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	Program Services	Support Services		2017 Total	2016 Total
		Management and General	Fundraising		
Salaries and related expenses					
Salaries	\$ 1,309,112	\$ 146,457	\$ 136,185	\$ 1,591,754	\$ 1,485,072
Payroll taxes	98,430	11,463	10,420	120,313	112,782
Employee benefits	<u>208,669</u>	<u>29,711</u>	<u>6,090</u>	<u>244,470</u>	<u>206,029</u>
Total salaries and related expenses	1,616,211	187,631	152,695	1,956,537	1,803,883
Professional services	182,688	91,094	3,551	277,333	188,921
Facilities expense	178,459	26,167	18,558	223,184	179,473
Office expenses and supplies	129,102	15,970	30,327	175,399	173,835
Employee related expenses	60,416	3,931	710	65,057	56,951
Scholarship aids and exams	41,131	-	-	41,131	93,654
Depreciation and amortization	26,803	4,323	1,729	32,855	21,842
Miscellaneous	21,963	4,533	3,053	29,549	10,008
Marketing and promotion	-	6,781	6,781	13,562	-
Meals, meetings and conferences	8,153	1,089	3,320	12,562	7,727
Vehicle costs	3,833	618	247	4,698	4,270
Bad debts	<u>3,757</u>	<u>-</u>	<u>-</u>	<u>3,757</u>	<u>1,753</u>
	<u>\$ 2,272,516</u>	<u>\$ 342,137</u>	<u>\$ 220,971</u>	<u>\$ 2,835,624</u>	<u>\$ 2,542,317</u>
Percentage of total	<u>80 %</u>	<u>12 %</u>	<u>8 %</u>	<u>100 %</u>	

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

Vista Center for the Blind and Visually Impaired
Statement of Cash Flows
For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 859,627	\$ (55,347)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	32,855	21,842
Net unrealized (gains) losses on investments	(595,027)	466,811
Net realized gains on investments	(194,033)	(166,002)
Gain on sale of building	(237,998)	-
Contributions restricted for long-term purposes	(100,000)	-
Changes in operating assets and liabilities		
Receivables	464	185,770
Prepaid expenses	(14,538)	(5,170)
Inventory	838	-
Accounts payable and accrued expenses	32,324	12,808
Deferred revenue	8,699	3,640
Net cash provided by (used in) operating activities	<u>(206,789)</u>	<u>464,352</u>
Cash flows from investing activities		
Proceeds/ Purchases of investments, net	385,335	(562,601)
Acquisition of property, equipment, and leasehold improvements	(1,028,407)	(12,074)
Proceeds from sale of building	568,700	-
Net cash used in investing activities	<u>(74,372)</u>	<u>(574,675)</u>
Cash flows from financing activities		
Proceeds from contributions restricted for investment in permanent endowment	<u>100,000</u>	-
Net cash provided by financing activities	<u>100,000</u>	-
Net decrease in cash and cash equivalents	(181,161)	(110,323)
Cash and cash equivalents, beginning of year	<u>340,294</u>	<u>450,617</u>
Cash and cash equivalents, end of year	<u>\$ 159,133</u>	<u>\$ 340,294</u>

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

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

1. NATURE OF OPERATIONS

Vista Center for the Blind and Visually Impaired ("Vista Center" or the "Organization") is a California not-for-profit corporation chartered on February 21, 1945. Its purpose is to provide rehabilitation programs for clients in Santa Clara, San Mateo, San Benito and Santa Cruz counties with severe sight loss. Social services are also provided by the Organization as well as support groups and a low vision clinic. The Organization's primary source of support and revenue is from contributions and program fees.

Program services are as follows:

- ***Safe and Healthy Living*** - Without sight the most routine tasks can seem insurmountable. The Safe and Healthy Living program assesses the individual needs of a client and develops a customized plan of action for teaching the skills that enable independence. Vista Center provided safe and healthy living services to 1,162 clients during the year ended June 30, 2017.

Social Services - Participants receive an overall assessment of their current situation and needs. Vista Center's social workers help individuals develop a rehabilitation plan, provide case management and keep the individual informed about programs, services and resources to support that person's independence.

Orientation and Mobility - Vista Center's teachers work with clients on mastering activities such as cane use, crossing streets, using public transportation, walking with a guide dog and navigating everyday environments.

Daily Living Skills - Training helps clients live safely and become more independent by learning safe cooking techniques, independent medication and health management, housekeeping, personal hygiene, money and paperwork management, and adapting to everyday environments so clients can negotiate daily tasks.

Counseling and Support Groups - Include individual and/or group professional counseling. Sessions help clients adjust to living with a disability.

The Health Library - An affiliate of The Stanford Health Library, offers a variety of scientifically-based medical information on vision loss and rehabilitation. Skilled volunteers can research medical topics for any blind or visually impaired person who requests assistance.

Support for Vocational Services - Vista Center staff support visually impaired people who are working or returning to work with orientation to the job site, organizational skills, technology training, and by linking them to community resources that provide job support.

The Store at Vista Center - Is stocked with a variety of products that can help people who are blind or visually impaired enjoy and lead more independent lives.

Volunteers - Vista Center's enthusiastic volunteers work directly with its clients filling a variety of needs. They also work in The Store, The Health Library, or assist visually impaired staff members.

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

1. NATURE OF OPERATIONS (continued)

- ***Low Vision Services*** - When someone is slowly losing sight, losing faith in one's ability to function independently becomes a real fear. By conducting evaluations, which result in recommendations and education to enhance the use of remaining vision, Vista Center's specially trained low vision optometrists provide devices, services and support that alleviate fear and restore hope. During the year ended June 30, 2017, 702 clients were served.

Low Vision Clinic - The individual's functional vision will be evaluated by Vista Center's low vision optometrist who will recommend adaptive equipment to assist in daily life activities. These adaptive aids can assist with reading, writing, watching television, seeing street signs, and many other daily activities.

Lighting Evaluations and Contrast Training - Our occupational therapist will provide an evaluation to determine the best lighting for your home environment and for completing a task. The use of contrast in your home will also be demonstrated to make daily tasks easier.

Low Vision Aids and Devices Training - Appropriate magnifying devices and electronic equipment are demonstrated and recommended to allow the client to maximize the use of remaining vision.

Low Vision Expo - Event provides speakers from the ophthalmology community, the technology field and a variety of vendors demonstrating the latest in assistive technology and community resources.

- ***Children and Youth Services*** - Blind and visually impaired young people are no different from their sighted peers in their desire for opportunities to engage with others and make a difference in the world. The Children and Youth Services Program provides them with the tools, strategies, confidence, and courage to build the future that they dream of and that is possible. During the year ended June 30, 2017, 490 clients were served.

Family and Youth Activities - Planned events are scheduled throughout the year for a family day of fun! They enjoy amusement parks, visiting the zoo, going fishing, kayaking, ice skating and a whole lot more!

When I Grow Up - Offers the opportunity for blind or visually impaired youth to "see" their future possibilities by getting to know blind and visually impaired adults who have succeeded in a sighted world.

Teens Together Plus - Is a monthly support group for Vista Center's blind and visually impaired youth who are between the ages of 15 and 22 years old. It is an excellent opportunity to connect with peers, build social skills, receive emotional support, and share information about technology and other areas of interest related to blindness.

Braille Challenge - Is a celebration of Braille literacy in the form of a contest among blind school children. The contestants are public and private school students in grades one through twelve. Winners participate in the National Braille Challenge sponsored by the Braille Institute.

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

1. NATURE OF OPERATIONS (continued)

Instruction in Schools - Teachers of the visually impaired are directly involved in the education and rehabilitation of blind children. The Organization contracts with numerous school districts to provide their blind education and rehabilitation services. The Organization's services include Orientation and Mobility, Technology for Youth, Teachers of the Visually Impaired, and Assessment Services.

- **Technology Program - Vista Center's Technology Program is leading the way in bringing technology that was once only available to the sighted community to those who are blind or visually impaired. Vista Center's access technology specialists provide basic to advanced customized training to enrich, simplify, transform, and open up new worlds to Vista Center's clients. During the year ended June 30, 2017, 150 clients were served.**

Technology Lab Days - The Tech Lab is a free one-on-one session designed to demonstrate a variety of devices and help with selecting the best option in a supportive setting.

Technology User Group - These free meetings are scheduled once a month in Vista Center's Palo Alto and Santa Cruz offices. Learn from speakers from assistive technology companies and be in the know about what is new.

Assistive Technology Training - This is a one-on-one training session at Vista Center's Palo Alto office with Vista Center's technology specialist to learn exactly what you need to know. Topics include using your personal computer with the latest assistive software including ZoomText, Magic, JAWS, MS Office with Assistive Technology and Internet Explorer with Assistive Technology. Individual instruction on the latest Apple IOS and Android devices is also available.

Concierge Training in Your Home - Vista Center offers individualized instruction in your home, including a personalized assessment of your training needs and equipment, one-on-one instruction on your personal computer using assistive technology software, and teaching you how to use other devices effectively. Vista Center will help you to select applications that suit your needs and offer training on them. Follow-up services are offered to verify that you have mastered the skills you need.

Technology for Youth - Offering opportunities for youths to learn the latest assistive technology and applications, especially those being used in the classroom.

VIPTUC (Visually Impaired Persons Technology Users Conference) is for those interested in learning about cutting edge technologies being incorporated in a variety of products, especially the latest smart phones, and how that technology is being made accessible to those who are blind or visually impaired.

- **Community Services - Vista Center is committed to communicating the Organization's mission and how it can help all individuals in its service area who are experiencing vision loss, through a comprehensive community outreach program. During the year ended June 30, 2017, 2,045 individuals were served.**

Community Outreach - Includes presentations and educational events targeted to specific groups including:

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

1. NATURE OF OPERATIONS (continued)

Medical referral sources, including MDs, ODs and medical groups

Community centers and civic organizations

Health fairs

Senior residences

Vista Center open house events and Low Vision Expos

Corporate employee presentations

Classroom Outreach and Education - Vista Center's teachers provide education and outreach at K-12 schools to educate students about what vision loss is, how they can help someone who has vision loss and what they should do to take care of their own eye health. Students are offered the opportunity to become volunteers to help someone who is blind.

Paratransit, Public Transit and Intersection Consulting - Municipal traffic departments and public transportation agencies contract with Vista Center to formally analyze street intersections for pedestrian safety and to make suggestions as to how they can be modified. Vista Center also analyzes bus and train embarkation points and advises on how they may be improved.

Vista Center's Orientation and Mobility staff participates on county paratransit agency advisory boards to monitor trends and suggest service improvements.

Professional Staff Inservices - are offered to cover a variety of topics including, An Insight into Vision Loss, The Sighted Guide Experience, Essential Communication Strategies, and Strategies for Coping with Significant Vision Loss. If your staff works with or assists individuals who are blind or visually impaired, the Organization can provide the training that is needed to promote a safe and respectful environment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting. Net assets and changes therein are classified as follows:

- *Unrestricted net assets* - are available for the various programs and the administration of the Organization. Unrestricted net assets include net assets invested in property and equipment. Board designated funds, when established by the Board of Directors, represent unrestricted funds which are to be used for future needs of the Organization. Net investment in property and equipment represents amounts expended for property and equipment used in the operations of the Organization, net of amounts borrowed, if any.

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of presentation (continued)

- *Temporarily restricted net assets* - consist of donor restricted contributions. Amounts restricted by the donor, grantor or other outside party for a particular purpose or time period are reported as revenue when received and as such amounts are reported as temporarily restricted net 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. The Organization does not imply a time restriction on gifts of long lived assets.
- *Permanently restricted net assets* - include those assets which are subject to non-expiring donor restrictions, such as endowments.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Accounts and grants receivable

Accounts and grants receivable represent amounts due from grantors, and contractors. The Organization is on the allowance method. An allowance for uncollectible accounts and grants receivable is provided based upon management's judgment of the amount receivable. The determination includes such factors as prior collection and type of receivable.

Prepaid expenses

Prepaid expenses includes \$1,000,000 of advance lease payments. See Note 10 for additional details.

Inventory

Inventory consists of low vision aids and appliances used in the Organization's programs as well as held for sale to the public. These items are stated at the lower of cost or market.

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, equipment, and leasehold improvements

Property, equipment, and leasehold improvements are recorded at cost or, if contributed, at the estimated fair market value when donated. Depreciation and amortization is computed using the straight line method over estimated useful lives, which range from five to thirty-five years. It is the Organization's policy to capitalize items costing more than \$500. Depreciation and amortization is recorded as a decrease in unrestricted net assets and the expense is charged to the activity benefiting from the use of the property, equipment, or leasehold improvements.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Contract revenue and program fees are recognized as revenue in the period in which the service is provided.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Government grants

The Organization's programs are supported by grants and contracts from federal, state and local governments requiring services to be rendered to eligible individuals. These grants are recorded as an increase in unrestricted revenue.

In-kind contributions

Contributed materials and equipment are reflected as contributions in the accompanying statements at their estimated fair values at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Other donated services and materials that did not have a determinate value were not recorded. The Organization recognized in-kind contributions for goods and services during the year ended June 30, 2017 and 2016, of \$48,164 and \$70,583, respectively.

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are stated at fair value in the statement of financial position based on quoted market prices provided by investment managers. Dividends and interest are accrued as earned and recorded as unrestricted revenue unless income is restricted by the donor. The unrealized gain or loss for the current period is reported as investment income or loss.

Fair value measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Organization's own assumptions about what market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Organization's own data.

The following methods and assumptions were used to estimate the fair value of financial assets and liabilities:

(a) Investments (Level 1). Investment securities traded on security exchanges are valued at closing market prices on the date closest to June 30.

(b) Investments (Level 3). Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category include privately held investments in a partnership interest.

Valuation techniques utilized during the reporting period in the fair value measurement of assets and liabilities presented on the Organization's statement of financial position were not changed from previous practice.

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status

The Organization is a qualified organization exempt from federal and California income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code (IRC) and 23701(d) of the State of California Revenue and Taxation Code. As such, the Organization qualifies for the maximum charitable contribution deduction by donors.

The Organization has evaluated its current tax positions and has concluded that as of June 30, 2017, the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Advertising

The Organization expenses all advertising costs, including direct response advertising costs, as they are incurred. Advertising costs for the years ended June 30, 2017 and 2016, totaled \$2,339 and \$2,857, respectively.

Functional expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and support services benefited. Indirect expense allocations are based on an analysis of personnel time and estimated use.

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 disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uses of estimates include, but are not limited to, accounting for the allowance for doubtful receivables, depreciation and the allocation of certain indirect costs.

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative financial information

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

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent events

The Organization has evaluated subsequent events through November 16, 2017, the date the financial statements were available to be issued (see Note 12).

3. PLEDGES RECEIVABLE

Pledges receivable consist of the following:

	2017	2016
Receivable in less than one year	\$ 59,836	\$ 30,250
Receivable in one to five years	5,000	37,192
	\$ 64,836	\$ 67,442

Management has determined that the present value calculation and the related discount is not material to the financial statements and as such is not reflected in these financial statements.

Vista Center for the Blind and Visually Impaired
Notes to Financial Statements
June 30, 2017
(With Comparative Totals for 2016)

4. INVESTMENTS

Investment earnings (losses) during the year consist of the following:

	2017	2016
Interest and dividends	\$ 102,262	\$ 130,719
Net realized gains	194,033	166,002
Net unrealized gains (losses)	595,227	(466,811)
	\$ 891,522	\$ (170,090)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017:

	Level 1	Level 2	Level 3	Total
Equity mutual funds				
Dodge and Cox Balanced Fund	\$ 2,399,932	\$ -	\$ -	\$ 2,399,932
Dodge and Cox International Equity Fund	786,043	-	-	786,043
Harbor Bond Fund	1,449,730	-	-	1,449,730
Harbor Capital Appreciation Fund	1,165,287	-	-	1,165,287
Partnership Interest	-	-	31,200	31,200
	\$ 5,800,992	\$ -	\$ 31,200	\$ 5,832,192

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Equity mutual funds				
Dodge and Cox Balanced Fund	\$ 1,999,690	\$ -	\$ -	\$ 1,999,690
Dodge and Cox International Equity Fund	602,916	-	-	602,916
Harbor Bond Fund	1,299,720	-	-	1,299,720
Harbor Capital Appreciation Fund	1,497,514	-	-	1,497,514
Partnership Interest	-	-	32,120	32,120
	\$ 5,399,840	\$ -	\$ 32,120	\$ 5,431,960

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5. PROPERTY, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Property, equipment, and leasehold improvements consist of the following:

	2017	2016
Land	\$ -	\$ 194,000
Buildings	-	291,884
Automobiles	20,499	20,499
Furniture and fixtures	67,813	64,039
Computer equipment	81,305	142,578
Leasehold improvements	1,003,328	66,830
	1,172,945	779,830
Less accumulated depreciation and amortization	(95,872)	(371,101)
	\$ 1,077,073	\$ 408,729

Depreciation and amortization expense was \$32,855 and \$21,842 for the years ended June 30, 2017 and 2016, respectively.

6. CONTRIBUTIONS

Included in contributions are amounts received from two nonprofit organizations that perform fund raising events in order to provide the Organization with operating revenues.

Contributions received consist of the following:

	2017	2016
Vista Center Foundation	\$ 300,000	\$ 319,833
Menlo Charity Horse Show	378,028	243,885
	\$ 678,028	\$ 563,718

7. CONTINGENT LIABILITIES

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to be audited under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding source for the costs or be subject to the reductions in future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

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8. RETIREMENT PLAN

The Organization maintains a retirement plan (403(b)) for all eligible employees. Employees are allowed to contribute the maximum amount set by law. The Organization also maintains a Simplified Employee Pension (SEP) that provides for retirement benefits (based on employer contributions only) for qualified employees. The total employer contributions made by the Organization to the employee's SEP accounts were \$71,343 and \$25,168 for the years ended June 30, 2017 and 2016, respectively.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
General operating support (time restricted)	\$ 56,550	\$ -
Disability Communication Fund	15,585	-
Tae Foundation (time restricted)	14,750	-
Endowment earnings	628,643	329,305
Tenant improvements	-	244,400
Lifeguard Charitable Fund	<u>15,000</u>	<u>-</u>
	<u>\$ 730,528</u>	<u>\$ 573,705</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the year.

Temporarily restricted net assets released from restriction during the year were as follows:

	<u>2017</u>	<u>2016</u>
Tae Foundation (time restricted)	\$ 14,750	\$ 43,000
Safety Net Foundation	-	2,078
Sand Hill Youth Group	-	15,778
Royal Bank of Canada Youth Group	-	15,530
Endowment appropriations	117,714	113,548
Tenant improvements	244,400	5,600
Disability Communication Fund	<u>15,586</u>	<u>-</u>
	<u>\$ 392,450</u>	<u>\$ 195,534</u>

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10. LEASE COMMITMENTS

The Organization entered into new lease agreements in the current fiscal year for office space located in Palo Alto and Santa Cruz, California. In a prior year, the Organization paid \$1,000,000 in advance lease payments for the Palo Alto lease which are being amortized over the lease term. The lease in Palo Alto commenced on May 15, 2017 and expires on July 31, 2031 with two (2) renewal options for additional terms of five (5) years each. The lease in Santa Cruz commenced on August 1, 2016 and expires on July 31, 2021. The monthly lease payments under the lease agreement are \$11,215 and \$2,880 for Palo Alto and Santa Cruz respectively. Each lease provides for fixed annual lease increases of three percent (3%).

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

<u>Year ending June 30,</u>		
2018	\$	170,772
2019		175,896
2020		181,172
2021		186,608
2022		155,480
Thereafter		<u>1,762,654</u>
	<u>\$</u>	<u>2,632,582</u>

11. PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT)

The Organization's endowment consists of one individual fund established for earnings thereon to support general operations. Its endowment includes only donor restricted endowment funds. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of relevant law

The Board of Directors of Vista Center for the Blind and Visually Impaired has interpreted the California version of 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, Vista Center for the Blind and Visually Impaired classifies as permanently restricted net assets (a) the original value of gifts donated 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.

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11. PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT) (continued)

Interpretation of relevant law (continued)

The remaining portion 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 the Organization in a manner consistent with the standard of prudence prescribed by the California version of the UPMIFA. In accordance with the California version of the UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or California version of the UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with Generally Accepted Accounting Principles (GAAP), deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2017 or 2016.

Return objectives and risk parameters

Vista Center for the Blind and Visually Impaired has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity or for a donor specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in an asset allocation of equities (40-70%) and fixed income (30-60%).

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11. PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT) (continued)

Strategies employed for achieving objectives

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

Spending policy

Vista Center for the Blind and Visually Impaired has a policy of appropriating for distribution each year up to 5% of the average principal balance over the preceding three fiscal years.

Endowment composition

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 628,643	\$ 2,620,951	\$ 3,249,594

Endowment net asset composition by type of fund as of June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 329,305	\$ 2,520,951	\$ 2,850,256

Changes in endowment net assets for the fiscal year ended June 30, 2017 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2016	\$ -	\$ 329,305	\$ 2,520,951	\$ 2,850,256
Investment return	-	417,052	-	417,052
Contributions and grants	-	-	100,000	100,000
Appropriation of net assets	-	(117,714)	-	(117,714)
	<u>-</u>	<u>299,338</u>	<u>100,000</u>	<u>399,338</u>
Balance, June 30, 2017	<u>\$ -</u>	<u>\$ 628,643</u>	<u>\$ 2,620,951</u>	<u>\$ 3,249,594</u>

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11. PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT) (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal year ended June 30, 2016 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, June 30, 2015	\$ -	\$ 514,486	\$ 2,520,951	\$ 3,035,437
Investment return				
Investment losses	-	(71,633)	-	(71,633)
Appropriation of net assets	<u>-</u>	<u>(113,548)</u>	<u>-</u>	<u>(113,548)</u>
	<u>-</u>	<u>(185,181)</u>	<u>-</u>	<u>(185,181)</u>
Balance, June 30, 2016	<u>\$ -</u>	<u>\$ 329,305</u>	<u>\$ 2,520,951</u>	<u>\$ 2,850,256</u>

12. SUBSEQUENT EVENTS

The Organization is in discussions with the Santa Clara Valley Blind Center, Inc. located in San Jose, California for a potential merger which will provide resources to the Palo Alto and San Jose population as a single organization. The merger is expected to be completed by December 31, 2017.