SECOND SENSE

YEARS ENDED JUNE 30, 2016 AND 2015

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CONTENTS

ORBA® OSTROW REISIN BERK & ABRAMS LTD.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Board of Directors
Second Sense
Chicago, Illinois

We have audited the accompanying financial statements of Second Sense (a nonprofit organization) (the Organization), which comprise the statement of financial position as of June 30, 2016 and 2015 and the related statements of activities, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

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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 Second Sense 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.

Ostrow Reisin Berk & Abrams, Ltd.

Chicago, Illinois
January 11, 2017

SECOND SENSE

STATEMENT OF FINANCIAL POSITION

June 30,		**2016**		2015
ASSETS				
Current assets:				
Cash	**$**	**43,322**	$	82,742
Investments (Notes 3 and 4)		**203,887**		230,325
Contributions receivable		**47,961**		43,950
Contributions receivable - charitable trust (Note 6)		**8,378**		12,000
Inventory		**7,779**		9,500
Prepaid expenses		**1,469**		2,230
Accrued interest receivable		**1,136**		2,130
Total current assets		**313,932**		382,877
Property and equipment:				
Equipment		**276,386**		273,783
Furniture and fixtures		**68,397**		68,397
Leasehold improvements		**4,275**		4,275
Software		**41,601**		41,601
		390,659		388,056
Less accumulated depreciation and amortization		**(383,986)**		(378,033)
Property and equipment, net		**6,673**		10,023
Other assets:				
Security deposit		**19,827**		19,827
Contributions receivable - charitable trust, net of current portion (Note 6)				4,444
Total current assets		**19,827**		24,271
Total assets	**$**	**340,432**	$	417,171

See notes to financial statements.

SECOND SENSE

STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30,		2016		2015
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	**$**	**13,405**	$	17,505
Accrued vacation		**18,281**		19,055
Current portion of deferred compensation (Note 12)		**23,184**		23,184
Deferred rent		**77,948**		75,941
Total current liabilities		**132,818**		135,685
Long-term liability:				
Deferred compensation, less current portion shown above (Note 12)		**58,609**		61,769
Total liabilities		**191,427**		197,454
Net assets:				
Unrestricted		**115,392**		171,323
Temporarily restricted		**33,613**		48,394
Total net assets		**149,005**		219,717
Total liabilities and net assets	**$**	**340,432**	$	417,171

See notes to financial statements.

SECOND SENSE

STATEMENT OF ACTIVITIES

Years ended June 30,	**2016**			2015		
	Unrestricted	**Temporarily restricted**	**Total**	Unrestricted	Temporarily restricted	Total
Revenue:						
Support:						
Contributions	**$ 291,689**		**$ 291,689**	$ 240,525		$ 240,525
Contributions in-kind	**41,456**		**41,456**	25,012		25,012
Bequests		**$ 16,669**	**16,669**		$ (1,715)	(1,715)
Special events, net of expenses of $39,580 and $36,471 for 2016 and 2015, respectively	**119,088**		**119,088**	108,895		108,895
Government grants and contracts	**200,000**		**200,000**	225,608		225,608
Service revenue	**14,217**		**14,217**	9,355		9,355
Product sales	**32,153**		**32,153**	44,479		44,479
Miscellaneous	**438**		**438**	657		657
Net assets released from restriction	**31,450**	**(31,450)**		63,000	(63,000)	
Total support	**730,491**	**(14,781)**	**715,710**	717,531	(64,715)	652,816
Income (loss) from investments:						
Interest and dividends	**6,385**		**6,385**	6,941		6,941
Realized gain on sale of investments	**13,665**		**13,665**	18,637		18,637
Unrealized loss on investments held	**(14,479)**		**(14,479)**	(13,568)		(13,568)
Total income from investments, net	**5,571**		**5,571**	12,010		12,010
Loss on disposition of asset				(4,395)		(4,395)
Total revenue	**736,062**	**(14,781)**	**721,281**	725,146	(64,715)	660,431

See notes to financial statements.

SECOND SENSE

STATEMENT OF ACTIVITIES (CONTINUED)

Years ended June 30,	2016			2015		
	Unrestricted	**Temporarily restricted**	**Total**	Unrestricted	Temporarily restricted	Total
Expenses:						
Program services:						
Adaptive Technology	**$ 219,442**		**$ 219,442**	$ 218,935		$ 218,935
Counseling Services	**146,050**		**146,050**	134,690		134,690
Independent Living Services	**277,943**		**277,943**	291,018		291,018
Total program services	**643,435**		**643,435**	644,643		644,643
Supporting services:						
Management and general	**104,685**		**104,685**	97,007		97,007
Fundraising	**43,873**		**43,873**	25,697		25,697
Total supporting services	**148,558**		**148,558**	122,704		122,704
Total expenses	**791,993**		**791,993**	767,347		767,347
Change in net assets	**(55,931)**	**$ (14,781)**	**(70,712)**	(42,201)	$ (64,715)	(106,916)
Net assets:						
Beginning of year	**171,323**	**48,394**	**219,717**	213,524	113,109	326,633
End of year	**$ 115,392**	**$ 33,613**	**$ 149,005**	$ 171,323	$ 48,394	$ 219,717

See notes to financial statements.

SECOND SENSE

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2016	Program services				Supporting services			
	Adaptive Technology	Counseling Services	Independent Living Services	Total program services	Management and general	Fundraising	Total supporting services	Total expenses
Salaries and wages	$ 101,165	$ 58,782	$ 114,521	$ 274,468	$ 55,159	$ 34,907	$ 90,066	$ 364,534
Employee benefits	9,829	5,711	11,127	26,667	5,359	3,392	8,751	35,418
Payroll taxes	7,219	4,195	8,172	19,586	3,936	2,491	6,427	26,013
Depreciation and amortization	1,786	1,786	1,786	5,358	595		595	5,953
Equipment expense	5,095	2,673	3,790	11,558	248		248	11,806
Fees	222	696	1,181	2,099	4,587		4,587	6,686
Insurance	2,274	1,321	2,574	6,169	1,240	785	2,025	8,194
Miscellaneous	1,513	1,454	1,440	4,407				4,407
Office expense	1,021	593	1,156	2,770	558	352	910	3,680
Payroll fees	480	279	543	1,302	262	166	428	1,730
Postage and shipping	1,106	643	1,252	3,001	603	382	985	3,986
Printing	4,051	2,354	4,586	10,991	2,209	1,398	3,607	14,598
Professional fees	14,792	7,339	34,035	56,166	25,597		25,597	81,763
Purchases			27,987	27,987				27,987
Rent	46,759	40,079	42,751	129,589	4,008		4,008	133,597
Scholarship	106	106	106	318				318
Telephone	2,352	2,016	2,151	6,519	202		202	6,721
Training	284	27	603	914	28		28	942
Travel	286	80	777	1,143				1,143
Utilities	1,102	945	1,009	3,056	94		94	3,150
Volunteer services - in-kind	13,819	13,819	13,818	41,456				41,456
Volunteer services expense	4,181	1,152	2,578	7,911				7,911
Total functional expenses	$ 219,442	$ 146,050	$ 277,943	$ 643,435	$ 104,685	$ 43,873	$ 148,558	$ 791,993

See notes to financial statements.

SECOND SENSE

STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)

Year ended June 30, 2015	Program services				Supporting services			
	Adaptive Technology	Counseling Services	Independent Living Services	Total program services	Management and general	Fundraising	Total supporting services	Total expenses
Salaries and wages	$ 119,390	$ 56,553	$ 138,241	$ 314,184	$ 24,992	$ 17,851	$ 42,843	$ 357,027
Employee benefits	11,614	5,502	13,448	30,564	2,431	1,737	4,168	34,732
Payroll taxes	8,670	4,107	10,038	22,815	1,815	1,296	3,111	25,926
Depreciation and amortization	3,595	3,595	3,463	10,653	2,663		2,663	13,316
Equipment expense	5,779	2,713	3,303	11,795	1,387	694	2,081	13,876
Fees	706	667	2,549	3,922	4,304		4,304	8,226
Insurance	2,837	2,740	2,740	8,317	978	489	1,467	9,784
Miscellaneous	322	309	311	942	152		152	1,094
Office expense	901	396	901	2,198	586	148	734	2,932
Payroll fees	518	518	518	1,554	182	91	273	1,827
Postage and shipping	1,204	1,016	1,543	3,763	502	752	1,254	5,017
Printing	2,296	2,217	3,404	7,917	2,639	2,639	5,278	13,195
Professional fees	10,864	6,338	28,066	45,268	26,800		26,800	72,068
Purchases		1,435	34,449	35,884				35,884
Rent	34,877	33,851	33,851	102,579	25,645		25,645	128,224
Telephone	1,615	1,567	1,567	4,749	1,187		1,187	5,936
Training	199		566	765				765
Travel	52	38	664	754				754
Unemployment	1,215	1,179	1,179	3,573				3,573
Utilities	1,012	982	982	2,976	744		744	3,720
Volunteer services - in-kind	8,504	8,254	8,254	25,012				25,012
Volunteer services expense	2,765	713	981	4,459				4,459
Total functional expenses	$ 218,935	$ 134,690	$ 291,018	$ 644,643	$ 97,007	$ 25,697	$ 122,704	$ 767,347

See notes to financial statements.

SECOND SENSE

STATEMENT OF CASH FLOWS

Years ended June 30,	**2016**	2015
Operating activities:		
Change in net assets	**$ (70,712)**	$ (106,916)
Adjustments to reconcile above to cash used in operating activities:		
Depreciation and amortization	**5,953**	13,316
Net realized and unrealized (gain) loss on investments	**814**	(5,069)
Loss on disposition of asset		4,395
(Increase) decrease in operating assets:		
Contributions receivable	**(4,011)**	39,063
Contributions receivable - charitable trust	**8,066**	33,164
Inventory	**1,721**	3,902
Prepaid expenses	**761**	2,970
Accrued interest receivable	**994**	
Increase (decrease) in operating liabilities:		
Accounts payable	**(4,100)**	10,151
Accrued vacation	**(774)**	(1,856)
Deferred rent	**2,007**	4,271
Deferred compensation	**(3,160)**	(7,366)
Cash used in operating activities	**(62,441)**	(9,975)
Investing activities:		
Purchase of equipment	**(2,603)**	
Proceeds from sales of investments	**51,305**	95,440
Purchases of investments	**(25,681)**	(9,484)
Cash provided by investing activities	**23,021**	85,956
Increase (decrease) in cash	**(39,420)**	75,981
Cash:		
Beginning of year	**82,742**	6,761
End of year	**$ 43,322**	$ 82,742

See notes to financial statements.

1. Organization

Second Sense (the Organization) was organized under the Illinois General Not-for-Profit Corporation Act in 1947. The Organization's mission is to help people with vision loss retain their independence at home, at work and in the community. In accordance with its strategic plan, the Organization instituted programs that are simultaneously unique, fundable and match the Organization's core competencies. The principal programs are: Adaptive Technology – providing instruction on the use of adaptive hardware and software; Counseling Services – aids people to adjust to vision loss as well as seek and retain professional employment; and Independent Living Services – helping those with new vision loss continue their activities of daily living. Rehabilitation Services also displays and sells assistive aids and appliances. The principal programs also provide information and referral information to people with vision loss. The Organization received 66% and 58% of its total revenue for the years ended June 30, 2016 and 2015, respectively, from public support.

2. Summary of significant accounting policies

Basis of accounting:

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

Basis of presentation:

The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) for *Financial Statements of Not-for-Profit Organizations*. Under the Codification, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted - Unrestricted net assets are available to finance the general operations of the Organization. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates and the purposes specified in its Articles of Incorporation.

Temporarily restricted - Temporarily restricted net assets result (a) from contributions and other inflows of assets, the use of which by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by action of the Organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations and (c) from reclassifications to (or from) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time or their fulfillment and removal by actions of the Organization pursuant to those stipulations. See Note 7.

2. Summary of significant accounting policies (continued)

Basis of presentation: (continued)

Permanently restricted - Permanently restricted net assets (generally referred to as endowment funds) are assets that have donor-imposed restrictions that stipulate that the contributed resources be maintained permanently, but permit the entity to utilize or expend part or all of the income or other economic benefits derived from the donated assets. The Organization has no permanently restricted net assets as of June 30, 2016 and 2015.

Investments:

The Organization reports all investments at their fair value. Any realized or unrealized gains and losses are reported in the statement of activities.

Receivable from trust:

Included in the statement of financial position is a receivable for the fair value of the assets held in a charitable remainder trust in which the donor established and funded a trust administered by a third party other than the Organization, for the benefit of the Organization. Under the trust, the Organization has an irrevocable right to receive assets upon expiration of the trust term.

Inventory:

Inventory is stated at lower of cost or market using procedures which approximate the first-in, first-out method of inventory valuation.

Property and equipment and related depreciation and amortization:

Property and equipment are stated at cost if purchased or fair value if contributed. The Organization capitalizes property and equipment purchases over $500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is provided ratably over the shorter of the life of the lease or the improvement.

2. Summary of significant accounting policies (continued)

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions receivable:

Unconditional promises to give at June 30, 2016 and 2015 are collectible in less than one year. No allowance for uncollectible promises to give is provided as management believes all amounts are fully collectible.

3. Investments

Investments at June 30, 2016 are summarized as follows:

	Cost	Fair value
Money market fund	**$ 14,051**	**$ 14,051**
Corporate bonds	**72,002**	**74,363**
Common stocks	**67,116**	**115,473**
	$ 153,169	**$ 203,887**

Investments at June 30, 2015 are summarized as follows:

	Cost	Fair value
Money market fund	$ 2,696	$ 2,696
Corporate bonds	89,704	93,378
Common stocks	74,587	130,559
Closed-end funds	2,581	3,692
	$ 169,568	$ 230,325

4. Fair value measurements

The Organization has implemented the accounting guidance on *Fair Value Measurements and Disclosures*, which provides the framework for measuring fair value under generally accepted accounting principles. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

Level 1 Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 Pricing inputs are other than quoted prices in active markets of comparable instruments, which are either directly or indirectly observable as of the reporting date and fair value is determined through the use of models or other valuation methodologies.

Level 3 Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information under the circumstances and may require significant management judgment or estimation.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

For the years ended June 30, 2016 and 2015, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in previous years. The valuation methodologies used for instruments at fair value are described below:

Corporate bonds: Valued at amortized cost, which approximates fair value.

Common stocks and closed-end funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Beneficial interest in charitable trust: The Organization's beneficial interest in a charitable trust administered by a third party is classified as a Level 3 asset. The fair value of the Organization's beneficial interest is approximated based upon the fair value of the trust's assets provided by the trustee.

4. Fair value measurements (continued)

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2016 and 2015:

Years ended June 30,	**2016**	2015
Balance, beginning of year	**$ 16,444**	$ 49,609
Investment income	**680**	791
Less - grants distributed	**(12,000)**	(12,000)
Trust administrative contributions (expenses)	**3,254**	(21,956)
Balance, end of year	**$ 8,378**	$ 16,444

The Organization's investments are carried at fair value and are considered Level 1 investments and consisted of the following at June 30, 2016 and 2015:

June 30,	**2016**	2015
	Level 1	
Money market fund	**$ 14,051**	$ 2,696
Corporate bonds	**74,363**	93,378
Common stocks	**115,473**	130,559
Closed-end funds		3,692
Total assets at fair value	**$ 203,887**	$ 230,325

5. Concentration of credit risk

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2016 and 2015, no amounts were held in excess of federally-insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk on cash.

As of June 30, 2016, 66% of the total contributions receivable were from three donors. As of June 30, 2015, 100% of the total contributions receivable were from two donors. For the years ended June 30, 2016 and 2015, 27% and 29% of total revenue was from one donor, respectively.

6. Contributions receivable – charitable trust

The Organization was named the beneficiary in an irrevocable charitable trust that was established when the trust grantor died. According to the trust agreement, the Organization is to receive the income of the trust each year and will receive the remaining trust assets as the earlier of the value of the trust falling below $20,000 or 21 years after the last to die of the grantor and all descendants of the grantor's father who were living at the date of the grantor's death. In prior years, the Organization has received $12,000 per year and expects to receive the same amount in future years, until the trust has been fully distributed, which is expected to occur in the year ending June 30, 2017.

A contribution receivable was recorded at the fair value of the trust assets. These amounts are classified as temporarily restricted until received. The total amount of the contribution receivable was $8,378 and $16,444 as of June 30, 2016 and 2015, respectively.

7. Temporary restrictions on net assets

Temporarily restricted net assets are unspent grant revenues and donation restricted as follows:

June 30,	**2016**	2015
Contributions receivable - charitable trust	**$ 8,378**	$ 16,444
Contributions receivable	**12,735**	19,450
Independent Living Services	**12,500**	12,500
Total temporarily restricted net assets	**$ 33,613**	$ 48,394

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified by donors or by passage of time as follows:

Years ended June 30,	**2016**	2015
Contributions receivable - charitable trust	**$ 31,450**	$ 12,000
Adaptive Technology		12,500
Counseling Services		1,000
Independent Living Services		37,500
Total net assets released from restrictions	**$ 31,450**	$ 63,000

8. Contributions in-kind

Donations of services are recorded if they create or enhance a non-financial asset or are specialized skills that would be purchased if they were not donated. During the years ended June 30, 2016 and 2015, the Organization received donated services valued at $41,456 and $25,012, respectively.

9. Income taxes

The Organization is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. In addition, the Internal Revenue Service has determined that the Organization is not a private foundation within the meaning of Section 509(a) of the Code.

The Organization has adopted the requirements for accounting for uncertain tax positions and management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2016 and 2015.

10. Lease commitment

The Organization occupies rented office space at 65 East Wacker Place, Chicago, Illinois under an operating lease expiring on June 30, 2021. Rent expense for the years ended June 30, 2016 and 2015 was $133,597 and $128,224, respectively. The Organization must pay operating expenses and real estate taxes under the terms of the operating lease.

Future minimum rent payments are as follows:

Year ending June 30:	Amount
2017	$ 133,830
2018	136,804
2019	139,778
2020	142,752
Thereafter	145,726
Total	$ 698,890

In November 2014, the Organization entered into a lease for a copier. This lease is for 63 months and will expire in the year ending June 30, 2019. The Organization makes quarterly payments of $1,797. Rent expense for the years ended June 30, 2016 and 2015 was $7,188 and $4,879, respectively.

10. Lease commitment (continued)

Future minimum lease payments are as follows:

Year ending June 30:	Amount
2017	$ 7,188
2018	7,188
2019	7,188
2020	5,391
Total	$ 26,955

11. Retirement plan

The Organization has a 403(b) retirement plan, which allows eligible employees to defer payment of taxes on a portion of their salary by making contributions to the plan through payroll deductions. At the discretion of management, the Organization may make matching contributions. The Organization did not make any matching contributions to the plan for the years ended June 30, 2016 and 2015.

12. Deferred compensation

The Organization has an employment agreement dated July 4, 1990 with its founder to pay annual compensation and fringe benefits during his lifetime. Upon his death in 2003, the payments and benefits have continued to the founder's wife and will do so for the remainder of her lifetime. The liability is based on an actuarial estimation of the wife's life expectancy updated annually. Payments of principal and interest are made monthly in the amount of $1,932. The present value of the expected balance remaining under this agreement as of June 30, 2016 and 2015 is $81,793 and $84,953, respectively.

13. Subsequent events

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2016, the financial statement date, through January 11, 2017, the date the financial statements were available to be issued. No events have occurred in this period that would be required to be recognized and/or disclosed in these financial statements as required by generally accepted accounting principles.