SECOND SENSE

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

SECOND SENSE

YEAR ENDED JUNE 30, 2019

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Independent Auditors' Report

Board of Directors
Second Sense

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, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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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, 2019, 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.

Ostrow Reisin Berk & Abrams, Ltd.

January 23, 2020

SECOND SENSE

STATEMENT OF FINANCIAL POSITION

June 30, 2019		
ASSETS		
Current assets:		
Cash	$	136,856
Investments		68,986
Contributions and bequests receivable		85,542
Inventory		7,752
Prepaid expenses		2,549
Accrued interest receivable		55
Total current assets		301,740
Property and equipment:		
Equipment		306,664
Furniture and fixtures		71,397
Leasehold improvements		4,275
Software		50,256
		432,592
Less accumulated depreciation and amortization		(398,693)
Property and equipment, net		33,899
Other asset:		
Security deposit		19,827
Total assets	$	355,466

See notes to financial statements.

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STATEMENT OF FINANCIAL POSITION (CONTINUED)

June 30, 2019		
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$	93,226
Accrued vacation		11,781
Current portion of deferred compensation		23,184
Current portion of deferred rent		20,524
Total current liabilities		148,715
Long-term liabilities:		
Deferred compensation, less current portion		42,365
Deferred rent, less current portion		158,644
Total long-term liabilities		201,009
Total liabilities		349,724
Net asset (deficit):		
Without donor restrictions		(46,804)
With donor restrictions		52,546
Total net assets		5,742
Total liabilities and net assets	$	355,466

See notes to financial statements.

SECOND SENSE

STATEMENT OF ACTIVITIES

Year ended June 30, 2019	Without donor restrictions	With donor restrictions	Total
Revenue:			
Support:			
Contributions and bequests	$ 538,062	$ 50,511	$ 588,573
Contributions in-kind	52,157		52,157
Special events, net of expenses of $20,786	168,160		168,160
Government grants and contracts	105,500		105,500
Service revenue	15,750		15,750
Product sales	25,280		25,280
Miscellaneous	796		796
Investment income, net	12,533		12,533
Net assets released from restriction	32,667	(32,667)	
Total revenue	950,905	17,844	968,749

See notes to financial statements.

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STATEMENT OF ACTIVITIES (CONTINUED)

Year ended June 30, 2019	Without donor restrictions	With donor restrictions	Total
Expenses:			
Program services:			
Adaptive Technology	$ 157,776		$ 157,776
Orientation and Mobility	134,798		134,798
Independent Living Services	349,866		349,866
Total program services	642,440		642,440
Supporting services:			
Management and general	152,700		152,700
Fundraising	145,543		145,543
Total supporting services	298,243		298,243
Total expenses	940,683		940,683
Change in net assets	10,222	$ 17,844	28,066
Net assets (deficit):			
Beginning of year	(57,026)	34,702	(22,324)
End of year	$ (46,804)	$ 52,546	$ 5,742

See notes to financial statements.

SECOND SENSE

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019	Program services				Supporting services			
	Adaptive Technology	Orientation and Mobility	Independent Living Services	Total program services	Management and general	Fundraising	Direct benefit to donors	Total expenses
Salaries and personnel related expenses	$ 87,021	$ 91,887	$ 207,964	$ 386,872	$ 104,903	$ 99,584		$ 591,359
Depreciation and amortization	1,916	952	3,129	5,997	130	255		6,382
Occupancy	49,479	24,590	80,789	154,858	3,341	6,584		164,783
Office expenses	5,734	6,055	13,703	25,492	6,816	6,561		38,869
Outside services	13,626	11,314	25,605	50,545	37,510	12,262		100,317
Purchases			18,676	18,676				18,676
Special events						20,297	$ 20,786	41,083
Total expenses	157,776	134,798	349,866	642,440	152,700	145,543	20,786	961,469
Less expenses included with revenue on the statement of activities							(20,786)	(20,786)
Total expenses included in the expenses section on the statement of activities	$ 157,776	$ 134,798	$ 349,866	$ 642,440	$ 152,700	$ 145,543	$ -	$ 940,683

See notes to financial statements.

SECOND SENSE

STATEMENT OF CASH FLOWS

Year ended June 30, 2019	
Cash flows from operating activities:	
Change in net assets	$ 28,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	6,382
Deferred rent	19,018
Donated property and equipment	(10,000)
Net realized and unrealized gain on investments	(14,898)
(Increase) decrease in operating assets:	
Contributions and bequests receivable	(27,000)
Inventory	(263)
Prepaid expenses	701
Accrued interest receivable	117
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	36,207
Accrued vacation	(3,201)
Deferred compensation	(729)
Net cash provided by operating activities	34,400
Cash flows from investing activities:	
Purchase of property and equipment	(8,335)
Proceeds from sales of investments	86,749
Net cash provided by investing activities	78,414
Net increase in cash	112,814
Cash:	
Beginning of year	24,042
End of year	$ 136,856
Supplemental disclosure of non-cash investing and financing information:	
Donated property and equipment	$ 10,000

See notes to financial statements.

1. Organization

Second Sense's (the Organization) 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; Independent Living Services – helping those with new vision loss continue their activities of daily living; and Orientation and Mobility – teaching clients how to travel safely and independently using a white cane. The principal programs also provide information and referral information to people with vision loss. The Organization received 84% of its total revenue for the year ended June 30, 2019 from public support.

2. Summary of significant accounting policies

Basis of accounting:

The Organization's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation:

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

> **Net assets without donor restrictions** – Net assets available for use in general operations and not subject to donor restrictions.
>
> **Net assets with donor restrictions** – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such that they will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

2. Summary of significant accounting policies (continued)

Investments:

The Organization reports all investments at fair value. Any realized or unrealized gains and losses are reported in the statement of activities as part of investment income, net.

Inventory:

The Organization states inventories at the lower of first-in, first-out (FIFO) method cost and net realizable value. Net realizable value is based on the selling price.

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.

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 and bequests receivable:

Unconditional promises to give at June 30, 2019 are collectible in less than one year. Management provides for probable uncollectible amounts based on its assessment of the current status of individual pledges. Outstanding balances are written off after management has used reasonable collection efforts. No allowance for uncollectible promises to give is provided as management believes all amounts are fully collectible. At June 30, 2019, contributions receivable and bequests receivable were $54,532 and $31,010, respectively.

2. Summary of significant accounting policies (continued)

Expense allocation:

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Salaries and personnel related expenses are allocated on the basis of estimates of time and effort. Depreciation and amortization and occupancy related costs are allocated on a square footage basis. Other expenses including office expenses and outside services are allocated using the allocations for salaries.

Subsequent events:

Management of the Organization has reviewed and evaluated subsequent events from June 30, 2019, the financial statement date, through January 23, 2020, the date the financial statements were available to be issued.

3. Liquidity and availability

The following represents the Organization's financial assets at June 30, 2019:

June 30, 2019		
Cash	$	136,856
Investments		68,986
Contributions and bequests receivable		85,542
Financial assets available to meet general expenditures within one year	$	291,384

3. Liquidity and availability (continued)

The sources of liquidity available to the Organization are cash, investments, and contributions and bequests receivable. The Organization manages its cash available to meet general expenditures following three guiding principles:

- Meeting operational and contractual commitments
- Maintaining adequate liquid assets
- Maintaining sufficient reserves to fund programs

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. Funds are deposited into cash accounts and investments at the discretion of the Executive Director. Annual event expenses and other known expenses are accounted for in the Organization's budget.

4. Fair value measurements

The Foundation utilizes a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. The three levels of the fair value hierarchy are as follows:

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.

4. Fair value measurements (continued)

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 year ended June 30, 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent with techniques used in previous years. The valuation methodology used for instruments at fair value is described below:

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The Organization's investments are carried at fair value and are considered Level 1 and consist of the following:

June 30, 2019		
Investments:		
Money market fund	$	984
Common stocks		68,002
Total investments	$	68,986

5. Concentration of credit risk

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2019, no amounts were held in excess of federally-insured limits.

As of June 30, 2019, 79% of the total contributions receivable were from three donors. For the year ended June 30, 2019, 32% of total revenue was from two donors.

6. Net assets with donor restrictions

Net assets with donor restrictions were available for the following time or purpose restrictions:

June 30, 2019		
Time restrictions:		
Contributions receivable - bequest	$	31,010
Purpose restrictions:		
Independent Living Services		5,000
Orientation and Mobility		14,500
Volunteer appreciation		2,036
Total net assets with donor restrictions	$	52,546

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

Year ended June 30, 2019		
Time restrictions:		
Contributions receivable - bequest	$	7,008
Purpose restrictions:		
Independent Living Services		7,500
Orientation and Mobility		17,500
Volunteer appreciation		659
Total net assets released from donor restrictions	$	32,667

7. Contributions in-kind

Donations of goods and 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 year ended June 30, 2019, the Organization received donated services valued at $52,157. During the year ended June 30, 2019, a donor paid $10,000 directly to a vendor on the Organization's behalf for a new server.

8. 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 Foundation was not required to record a liability related to uncertain tax positions as of June 30, 2019.

9. Lease commitment

The Organization occupies rented office space at 65 East Wacker Place, Chicago, Illinois under an operating lease expiring on June 30, 2026. Rent expense for the year ended June 30, 2019, was $154,769. The Organization must pay operating expenses and real estate taxes under the terms of the operating lease. Rent expense is recognized on a straight-line basis over the life of the lease. The difference between rent expense and the monthly cash payment is recognized as deferred rent.

Future minimum rent payments are as follows:

Year ending June 30:	Amount
2020	$ 164,808
2021	167,860
2022	170,912
2023	173,964
2024	177,016
Thereafter	363,188
Total	$ 1,217,748

During the year ended June 30, 2019, the Organization entered into an operating lease for a copier that expires during the year ended June 30, 2024. Under the terms of the lease, the Organization makes monthly payments of $500. Additionally, the Organization continues to pay for the copier operating lease that expires during the year ending June 30, 2020. Under the terms of the lease, the Organization makes quarterly payments of $1,797. Rent expense was $7,688 for the year ended June 30, 2019.

9. Lease commitment (continued)

Future minimum lease payments are as follows:

Year ending June 30:	Amount
2020	$ 11,391
2021	6,000
2022	6,000
2023	6,000
2024	5,500
Total	$ 34,891

10. 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 year ended June 30, 2019.

11. 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 employment agreement stipulated that payments and benefits were to continue 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. As of January 1, 2017, the Organization has ceased making the monthly payments but has continued to accrue them in accounts payable. The present value of the expected balance remaining under this agreement as of June 30, 2019 is $65,549. During the year ended June 30, 2017, the Organization contacted the founder's wife to negotiate a settlement. As of January 23, 2020, there has been no agreement for the settlement.