SECOND SENSE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

SECOND SENSE

YEARS ENDED JUNE 30, 2020 AND 2019

CONTENTS

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 statements of financial position as of June 30, 2020 and 2019, 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.

Auditors' 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.

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, 2020 and 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 29, 2021

SECOND SENSE

STATEMENTS OF FINANCIAL POSITION

June 30,		**2020**		2019
ASSETS				
Current assets:				
Cash	**$**	**264,852**	$	136,856
Investments		**35,491**		68,986
Contributions receivable		**25,969**		85,542
Inventory		**8,140**		7,752
Prepaid expenses		**4,276**		2,549
Accrued interest receivable		**47**		55
Total current assets		**338,775**		301,740
Property and equipment:				
Equipment		**306,664**		306,664
Furniture and fixtures		**71,397**		71,397
Leasehold improvements		**4,275**		4,275
Software		**50,256**		50,256
		432,592		432,592
Less accumulated depreciation and amortization		**(408,200)**		(398,693)
Property and equipment, net		**24,392**		33,899
Other asset:				
Security deposit		**19,827**		19,827
Total assets	**$**	**382,994**	$	355,466

See notes to financial statements.

SECOND SENSE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,		2020		2019
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	**$**	**99,880**	$	93,226
Accrued vacation		**11,599**		11,781
Current portion of deferred compensation		**23,184**		23,184
Current portion of deferred rent		**18,811**		20,524
Total current liabilities		**153,474**		148,715
Long-term liabilities:				
Deferred compensation, less current portion		**39,225**		42,365
Deferred rent, less current portion		**139,833**		158,644
Total long-term liabilities		**179,058**		201,009
Total liabilities		**332,532**		349,724
Net assets (deficit):				
Without donor restrictions		**27,926**		(46,804)
With donor restrictions		**22,536**		52,546
Total net assets		**50,462**		5,742
Total liabilities and net assets	**$**	**382,994**	$	355,466

See notes to financial statements.

SECOND SENSE

STATEMENTS OF ACTIVITIES

Years ended June 30,	2020			2019		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Revenue:						
Support:						
Contributions	**$ 513,641**	**$ 38,000**	**$ 551,641**	$ 538,062	$ 50,511	$ 588,573
Contributions in-kind	**31,930**		**31,930**	52,157		52,157
Special events, net of expenses of $-0- and $20,786 for 2020 and 2019, respectively	**171,930**		**171,930**	168,160		168,160
Government grants and contracts	**162,223**		**162,223**	105,500		105,500
Service revenue	**1,950**		**1,950**	15,750		15,750
Product sales	**22,179**		**22,179**	25,280		25,280
Miscellaneous				796		796
Investment income (loss), net	**(828)**		**(828)**	12,533		12,533
Net assets released from restrictions	**68,010**	**(68,010)**		32,667	(32,667)	
Total revenue	**971,035**	**(30,010)**	**941,025**	950,905	17,844	968,749

See notes to financial statements.

SECOND SENSE

STATEMENTS OF ACTIVITIES (CONTINUED)

Years ended June 30,	**2020**			2019		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Expenses:						
Program services:						
Adaptive Technology	**$ 161,424**		**$ 161,424**	$ 157,776		$ 157,776
Orientation and Mobility	**160,721**		**160,721**	134,798		134,798
Independent Living Services	**373,281**		**373,281**	349,866		349,866
Total program services	**695,426**		**695,426**	642,440		642,440
Supporting services:						
Management and general	**88,527**		**88,527**	152,700		152,700
Fundraising	**112,352**		**112,352**	145,543		145,543
Total supporting services	**200,879**		**200,879**	298,243		298,243
Total expenses	**896,305**		**896,305**	940,683		940,683
Change in net assets	**74,730**	**$ (30,010)**	**44,720**	10,222	$ 17,844	28,066
Net assets (deficit):						
Beginning of year	**(46,804)**	**52,546**	**5,742**	(57,026)	34,702	(22,324)
End of year	**$ 27,926**	**$ 22,536**	**$ 50,462**	$ (46,804)	$ 52,546	$ 5,742

See notes to financial statements.

SECOND SENSE

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2020	Program services				Supporting services		
	Adaptive Technology	Orientation and Mobility	Independent Living Services	Total program services	Management and general	Fundraising	Total expenses
Salaries and personnel related expenses	$ 85,354	$ 115,329	$ 225,741	$ 426,424	$ 53,211	$ 81,092	$ 560,727
Depreciation and amortization	2,846	1,339	4,794	8,979	152	376	9,507
Occupancy	51,066	24,026	86,026	161,118	2,730	6,770	170,618
Office	6,168	8,334	16,313	30,815	3,973	5,880	40,668
Outside services	15,990	11,693	22,887	50,570	28,461	8,222	87,253
Purchases			17,520	17,520			17,520
Special events						10,012	10,012
Total expenses	$ 161,424	$ 160,721	$ 373,281	$ 695,426	$ 88,527	$ 112,352	$ 896,305

See notes to financial statements.

SECOND SENSE

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

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	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 statements of activities							(20,786)	(20,786)
Total expenses included in the expenses section on the statements of activities	$ 157,776	$ 134,798	$ 349,866	$ 642,440	$ 152,700	$ 145,543	$ -	$ 940,683

See notes to financial statements.

SECOND SENSE

STATEMENTS OF CASH FLOWS

Years ended June 30,	2020	2019
Cash flows from operating activities:		
Change in net assets	**$ 44,720**	$ 28,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**9,507**	6,382
Deferred rent	**(20,524)**	19,018
Donated property and equipment		(10,000)
Net realized and unrealized gain on investments	**(2,372)**	(14,898)
(Increase) decrease in operating assets:		
Contributions receivable	**59,573**	(27,000)
Inventory	**(388)**	(263)
Prepaid expenses	**(1,727)**	701
Accrued interest receivable	**8**	117
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	**6,654**	36,207
Accrued vacation	**(182)**	(3,201)
Deferred compensation	**(3,140)**	(729)
Net cash provided by operating activities	**92,129**	34,400
Cash flows from investing activities:		
Purchase of property and equipment		(8,335)
Proceeds from sales of investments	**35,867**	86,749
Net cash provided by investing activities	**35,867**	78,414
Net increase in cash	**127,996**	112,814
Cash:		
Beginning of year	**136,856**	24,042
End of year	**$ 264,852**	$ 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; Orientation and Mobility – teaching clients how to travel safely and independently using a white cane; and Independent Living Services – helping those with new vision loss continue their activities of daily living. The principal programs also provide information and referral information to people with vision loss. The Organization received 80% and 84% of its total revenue for the years ended June 30, 2020 and 2019, respectively, 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 statements of activities as net assets released from restrictions.

2. Summary of significant accounting policies (continued)

Recent accounting pronouncement:

Effective July 1, 2019, the Organization adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps determine whether a contribution is conditional and better distinguishes a donor-imposed condition from a donor-imposed restriction. The change in accounting principle was adopted on a modified prospective basis in 2020. The adoption of this standard did not materially impact the financial statements of the Organization.

Investments:

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

Inventory:

The Organization states inventory 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 accordance 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.

2. Summary of significant accounting policies (continued)

Contributions receivable:

Unconditional promises to give at June 30, 2020 and 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 that all amounts are fully collectible.

Expense allocation:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present 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, office, and outside services 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.

Subsequent events:

Management of the Organization has reviewed and evaluated subsequent events through January 29, 2021, the date the financial statements were available to be issued.

3. COVID-19 impact

On March 11, 2020, the World Health Organization (WHO) recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, wide-sweeping quarantines, and stay-at-home orders. As a result, COVID-19 and the related restrictive measures has had a significant adverse impact upon many sectors of the economy.

3. COVID-19 impact (continued)

During the COVID-19 pandemic, the Organization has faced various financial challenges, including having to cancel an in-person fundraising event and replacing it with a virtual event. In addition, the Organization was limited in serving clients while the stay-at-home order was in effect. As the situation continues to evolve, the Organization is closely monitoring the impact of the COVID-19 pandemic on all aspects of the Organization's business, including its donors, clients, and employees. The Organization understands COVID-19 will impact its operating results, cash flows, and financial position; however, the level of the impact is difficult to currently predict and the factors which drive it are unpredictable and outside of the Organization's control. The situation surrounding the pandemic remains fluid, and if disruptions do arise, they could adversely impact the Organization.

4. Liquidity and availability

The following represents the Organization's financial assets available to meet general expenditures at June 30, 2020 and 2019:

June 30,	**2020**	2019
Cash	**$ 264,852**	$ 136,856
Investments	**35,491**	68,986
Contributions receivable	**25,969**	85,542
Less: Net assets with donor restrictions	**(22,536)**	(52,546)
Financial assets available to meet general expenditures within one year	**$ 303,776**	$ 238,838

The sources of liquidity available to the Organization are cash, investments, and contributions 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

4. Liquidity and availability (continued)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considered all expenditures related to its ongoing activity of serving clients as well as the conduct of services undertaken to support this activity to be general expenditures. 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.

5. 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.

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, 2020 and 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:

Money market fund and equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

5. Fair value measurements (continued)

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

June 30,	**2020**	2019
Investments:		
Money market fund	**$ 202**	$ 984
Equity securities	**35,289**	68,002
Total investments	**$ 35,491**	$ 68,986

6. Concentration of credit risk

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2020 and 2019, no amounts were held in excess of federally-insured limits.

As of June 30, 2020 and 2019, 27% and 79% of the total contributions receivable were from two donors and three donors, respectively. For the years ended June 30, 2020 and 2019, 28% and 32% of total revenue was from two donors, respectively.

7. Loan payable

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act, commonly referred to as the CARES Act, was signed into law. One component of the CARES Act was the Paycheck Protection Program (PPP) which provides businesses with funding to maintain their payroll and cover applicable overhead. The Organization applied for and received $92,127. The loan originally provided for a two-year term with a maturity date of April 24, 2022. The loan bears an annual interest rate of 0.98%. It is the Organization's intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the approval of the lender and the Small Business Administration (SBA). The Organization is eligible for loan forgiveness in an amount equal to payments made during the eight-week period beginning on the loan disbursement date, with the exception that no more than 40% of the amount of loan forgiveness may be for certain qualifying expenses other than payroll expenses.

7. Loan payable (continued)

The Organization has elected to account for the PPP loan under the government grant model. The Organization accounted for $92,127 of the PPP loan as a contribution under the government grant model for the year ended June 30, 2020. Management concluded that all of the eligibility criteria were substantially met and expects the amount to be forgiven. Under regulations issued subsequent to the initial loan, to the extent that all or part of the PPP loan is not forgiven, principal and interest payments are deferred until such time that the SBA remits the loan forgiveness amount to the lender or, if the application for loan forgiveness is not submitted within 10 months after the end of the eight-week period following disbursement date, then payments are to begin at that time. The two-year maturity date could be extended to five years if approved by the lender. If the Organization were to not submit an application for forgiveness by 10 months after the end of the eight-week covered period and assuming no change in the two-year maturity date, principal payments due on the PPP loan would be $-0- for the year ending June 30, 2021 and $92,127 for the year ending June 30, 2022.

8. Net assets with donor restrictions

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

June 30,	**2020**	2019
Time restrictions:		
Contributions receivable		$ 31,010
Purpose restrictions:		
Adaptive Technology Training	**$ 17,500**	
Independent Living Services		5,000
Orientation and Mobility		14,500
Transportation services	**3,000**	
Volunteer appreciation	**2,036**	2,036
Total net assets with donor restrictions	**$ 22,536**	$ 52,546

8. Net assets with donor restrictions (continued)

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,		**2020**		2019
Time restrictions:				
Contributions receivable	**$**	**31,010**	$	7,008
Purpose restrictions:				
Adaptive Technology Training		**17,500**		
Independent Living Services		**5,000**		7,500
Orientation and Mobility		**14,500**		17,500
Volunteer appreciation				659
Total net assets released from donor restrictions	**$**	**68,010**	$	32,667

9. 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 years ended June 30, 2020 and 2019, the Organization received donated services valued at $31,930 and $52,157, respectively. 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.

10. 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.

Management has determined that the Organization was not required to record a liability related to uncertain tax positions as of June 30, 2020 and 2019.

11. 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 years ended June 30, 2020 and 2019 was $160,484 and $154,769, respectively. 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
2021	$ 167,860
2022	170,912
2023	173,964
2024	177,016
2025	180,068
Thereafter	183,119
Total	$ 1,052,939

The Organization has an operating lease for a copier that will expire during the year ending June 30, 2024. Under the terms of the lease, the Organization makes monthly payments of $500. Additionally, the Organization continued to pay for the copier operating lease that expired during the year ended June 30, 2020. Under the terms of the lease, the Organization made quarterly payments of $1,797. Rent expense for the years ended June 30, 2020 and 2019 was $11,391 and $7,688, respectively.

Future minimum lease payments are as follows:

Year ending June 30:	Amount
2021	$ 6,000
2022	6,000
2023	6,000
2024	5,500
Total	$ 23,500

12. 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 either of the years ended June 30, 2020 and 2019.

13. 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 when they were due under the agreement in accounts payable. The present value of the expected balance due in future years under this agreement as of June 30, 2020 and 2019 is $62,409 and $65,549, respectively. During the year ended June 30, 2017, the Organization contacted the founder's wife to negotiate a settlement. As of January 29, 2021, there has been no agreement for the settlement.