SECOND SENSE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

SECOND SENSE

YEARS ENDED JUNE 30, 2021 AND 2020

CONTENTS

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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 statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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.

January 27, 2022

SECOND SENSE

STATEMENTS OF FINANCIAL POSITION

June 30,		2021		2020
ASSETS				
Current assets:				
Cash	$	**236,703**	$	264,852
Investments		**47,925**		35,491
Contributions receivable		**81,953**		26,016
Inventory		**5,244**		8,140
Prepaid expenses		**5,005**		4,276
Total current assets		**376,830**		338,775
Property and equipment:				
Equipment		**307,517**		306,664
Furniture and fixtures		**71,397**		71,397
Leasehold improvements		**4,275**		4,275
Software		**53,456**		50,256
		436,645		432,592
Less accumulated depreciation and amortization		**(417,357)**		(408,200)
Property and equipment, net		**19,288**		24,392
Other asset:				
Security deposit		**19,827**		19,827
Total assets	$	**415,945**	$	382,994

See notes to financial statements.

SECOND SENSE

STATEMENTS OF FINANCIAL POSITION (CONTINUED)

June 30,		2021		2020
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued expenses	**$**	**130,330**	$	111,479
Current portion of deferred compensation				23,184
Current portion of deferred rent		**21,863**		18,811
Total current liabilities		**152,193**		153,474
Long-term liabilities:				
Deferred compensation, less current portion				39,225
Deferred rent, less current portion		**117,971**		139,833
Total long-term liabilities		**117,971**		179,058
Total liabilities		**270,164**		332,532
Net assets:				
Without donor restrictions		**66,607**		27,926
With donor restrictions		**79,174**		22,536
Total net assets		**145,781**		50,462
Total liabilities and net assets	**$**	**415,945**	$	382,994

See notes to financial statements.

SECOND SENSE

STATEMENTS OF ACTIVITIES

Years ended June 30,	2021			2020		
	Without donor restrictions	**With donor restrictions**	**Total**	Without donor restrictions	With donor restrictions	Total
Revenue:						
Support:						
Contributions	**$ 359,322**	**$ 91,638**	**$ 450,960**	$ 453,444	$ 38,000	$ 491,444
Government grants	**260,734**		**260,734**	254,350		254,350
Special events	**181,555**		**181,555**	171,930		171,930
Product sales	**3,843**		**3,843**	22,179		22,179
Training service revenue				1,950		1,950
Net investment income (loss)	**7,824**		**7,824**	(828)		(828)
Net assets released from restrictions	**35,000**	**(35,000)**		68,010	(68,010)	
Total revenue	**848,278**	**56,638**	**904,916**	971,035	(30,010)	941,025
Expenses:						
Program services:						
Adaptive Technology	**142,096**		**142,096**	161,424		161,424
Orientation and Mobility	**163,952**		**163,952**	160,721		160,721
Independent Living Services	**319,429**		**319,429**	373,281		373,281
Total program services	**625,477**		**625,477**	695,426		695,426
Supporting services:						
Management and general	**80,120**		**80,120**	88,527		88,527
Fundraising	**104,000**		**104,000**	112,352		112,352
Total supporting services	**184,120**		**184,120**	200,879		200,879
Total expenses	**809,597**		**809,597**	896,305		896,305
Change in net assets	**38,681**	**$ 56,638**	**95,319**	74,730	(30,010)	44,720
Net assets (deficit):						
Beginning of year	**27,926**	**22,536**	**50,462**	(46,804)	52,546	5,742
End of year	**$ 66,607**	**$ 79,174**	**$ 145,781**	$ 27,926	$ 22,536	$ 50,462

See notes to financial statements.

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STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2021	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	$ 77,562	$ 122,818	$ 193,345	$ 393,725	$ 30,194	$ 76,819	$ 500,738
Depreciation and amortization	2,656	1,282	4,670	8,608	183	366	9,157
Occupancy	49,842	24,062	87,654	161,558	3,437	6,875	171,870
Office	5,152	8,159	12,844	26,155	7,137	5,103	38,395
Professional fees	6,884	7,631	12,013	26,528	39,169	4,773	70,470
Purchases			8,903	8,903			8,903
Special events						10,064	10,064
Total expenses	$ 142,096	$ 163,952	$ 319,429	$ 625,477	$ 80,120	$ 104,000	$ 809,597

See notes to financial statements.

SECOND SENSE

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

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
Professional fees	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 CASH FLOWS

Years ended June 30,	**2021**	2020
Cash flows from operating activities:		
Change in net assets	**$ 95,319**	$ 44,720
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	**9,157**	9,507
Deferred compensation	**(46,953)**	(3,140)
Deferred rent	**(18,810)**	(20,524)
Net realized and unrealized gain on investments	**(11,184)**	(2,372)
(Increase) decrease in operating assets:		
Contributions receivable	**(55,937)**	59,581
Inventory	**2,896**	(388)
Prepaid expenses	**(729)**	(1,727)
Increase in operating liabilities:		
Accounts payable and accrued expenses	**3,395**	6,472
Net cash provided by (used in) operating activities	**(22,846)**	92,129
Cash flows from investing activities:		
Purchase of property and equipment	**(4,053)**	
Purchases of investments	**(6,326)**	
Proceeds from sales of investments	**5,076**	35,867
Net cash provided by (used in) investing activities	**(5,303)**	35,867
Net change in cash	**(28,149)**	127,996
Cash:		
Beginning of year	**264,852**	136,856
End of year	**$ 236,703**	$ 264,852

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 79% and 80% of its total revenue for the years ended June 30, 2021 and 2020, 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.

Recent accounting pronouncement:

Effective July 1, 2020, the Organization adopted ASU 2014-19, *Revenue from Contracts with Customers (Topic 606)*. This guidance requires that the Organization recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods and services. The guidance uses a principles-based approach for determining revenue recognition, eliminates the transaction and industry-specific guidance, and establishes a five-step approach for the recognition of revenue. The Organization implemented this standard using the full retrospective method. 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 net investment income (loss).

2. Summary of significant accounting policies (continued)

Contributions receivable:

Unconditional promises to give at June 30, 2021 and 2020 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.

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 in excess of $500. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized ratably over the shorter of the term of the lease or estimated life of the improvement.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. An impairment loss is recognized to the extent the carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2021 and 2020.

Deferred rent:

The Organization records monthly rent expense on a straight-line basis over the term of the lease. The difference between rent expense recorded and the amount paid is charged (credited) to deferred rent.

2. Summary of significant accounting policies (continued)

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 the 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.

In-kind contributions:

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, 2021 and 2020, the Organization received donated services valued at $10,988 and $31,930, respectively. These in-kind contributions are included in contributions without donor restrictions on the statements of activities and professional fees on the statements of functional expenses.

Product sales:

Product sales consist of revenue from sales of daily living products for the visually impaired. Each sale represents a contract with a customer and each product sold to a customer represents a distinct performance obligation, and the Organization recognizes revenue at a point in time upon completion of the sale to the customer.

2. Summary of significant accounting policies (continued)

Training service revenue:

Training service revenue consists of revenue from providing training on use of adaptive technology to customers. Each training session represents a distinct performance obligation and revenue is recognized at a point in time upon completion of the training session.

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 professional fees are allocated on the basis of estimates of time and effort. Depreciation and amortization and occupancy costs are allocated on a square footage basis.

Tax status:

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, 2021 and 2020.

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.

Reclassifications:

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year’s format. Net assets and changes in net assets are unchanged due to these reclassifications.

2. Summary of significant accounting policies (continued)

Subsequent events:

Management of the Organization has reviewed and evaluated subsequent events through January 27, 2022, the date the financial statements were available to be issued.

3. COVID-19 impact

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 that the COVID-19 pandemic 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 COVID-19 pandemic remains fluid, and if disruptions do arise, they could adversely impact the Organization.

4. Liquidity and availability

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

The Organization prepares an annual budget and cash flow projections, and the Organization's Audit and Finance Committee reviews liquidity measures at least quarterly.

4. Liquidity and availability (continued)

The following represents the Organization's financial assets available to meet general expenditures within one year at June 30, 2021 and 2020:

June 30,		**2021**		2020
Cash	**$**	**236,703**	$	264,852
Investments		**47,925**		35,491
Contributions receivable		**81,953**		26,016
Less: Net assets with donor restrictions		**(79,174)**		(22,536)
Financial assets available to meet general expenditures within one year	**$**	**287,407**	$	303,823

5. Fair value measurements

The Organization reports the fair value of its investments in accordance with the fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

There are three levels of inputs used to measure fair value. The definition of each input is described below:

Level 1 Inputs to valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to valuation methodology 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 Inputs to valuation methodology 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.

5. Fair value measurements (continued)

For the years ended June 30, 2021 and 2020, 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:

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

Investments consist of the following:

June 30,	**2021**	2020
	Level 1	
Equity securities	**$ 47,925**	$ 35,491

6. Concentration of credit risk

The Organization maintains its cash in bank accounts which, at times, may exceed federally-insured limits. At June 30, 2021 and 2020, no amounts were held in excess of federally-insured limits.

As of June 30, 2021 and 2020, 85% and 27% of the total contributions receivable were from two donors, respectively. For the years ended June 30, 2021 and 2020, 30% and 28% 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 PPP was implemented by the Small Business Administration (SBA) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used for other allowable costs. During the year ended June 30, 2020, the Organization applied for and received its first PPP loan in the amount of $92,127 (PPP 1). PPP 1 was a two-year loan with a maturity date of April 14, 2022 and an annual interest rate of 0.98%. The Organization elected to account for PPP 1 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. On April 28, 2021, the Organization received notice from the SBA that the full loan amount of $92,127 was fully forgiven.

7. Loan payable (continued)

In February 2021, the Organization applied for and received a second PPP loan in the amount of $92,127 (PPP 2). PPP 2 has a maturity date of February 11, 2023 and bears interest at a rate of 1% per year. 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 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.

The Organization has elected to account for PPP 2 under the government grant model. The Organization accounted for $92,127 of PPP 2 as a contribution under the government grant model for the year ended June 30, 2021. 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 PPP 2 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 PPP 2 would be $-0- for the year ending June 30, 2022 and $92,127 for the year ending June 30, 2023.

8. Net assets with donor restrictions

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

June 30,	**2021**	2020
Time restrictions:		
Contributions receivable	**$ 50,000**	
Purpose restrictions:		
Adaptive Technology training	**24,138**	$ 17,500
Transportation services	**3,000**	3,000
Volunteer appreciation	**2,036**	2,036
Total net assets with donor restrictions	**$ 79,174**	$ 22,536

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 the passage of time as follows:

Years ended June 30,	**2021**	2020
Time restrictions:		
Contributions receivable		$ 31,010
Purpose restrictions:		
Adaptive Technology training	**$ 35,000**	17,500
Independent Living Services		5,000
Orientation and Mobility		14,500
Total net assets released from donor restrictions	**$ 35,000**	$ 68,010

9. Lease commitments

The Organization rents office space under an operating lease expiring on June 30, 2026. Rent expense was $149,049 and $160,484 for the years ended June 30, 2021 and 2020, 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
2022	$ 170,912
2023	173,964
2024	177,016
2025	180,068
2026	183,120
Total	$ 885,079

9. Lease commitments (continued)

The Organization has an operating lease for a copier that will expire on May 31, 2024. Under the terms of the lease, the Organization makes monthly payments of $500. Additionally, the Organization had an operating lease for a copier 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, 2021 and 2020 was $6,000 and $11,391, respectively.

Future minimum lease payments are as follows:

Year ending June 30:	Amount
2022	$ 6,000
2023	6,000
2024	5,500
Total	$ 17,500

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 either of the years ended June 30, 2021 and 2020.

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. During the year ended June 30, 2021, the founder's wife passed away, and the Organization reversed the deferred compensation liability resulting in a reduction to salaries and personnel related expenses in the amount of $46,953.

11. Deferred compensation (continued)

As of January 1, 2017, the Organization ceased making the monthly payments but continued to accrue them when they were due under the agreement in accounts payable. Subsequent to the year ended June 30, 2021, the Organization entered into an agreement with the estate of the founder's wife to release the Organization from all liabilities. Liabilities related to the suspended payments under the deferred compensation agreement total $102,397 as of June 30, 2021. These liabilities were reversed and recognized as forgiveness of indebtedness income during the year ending June 30, 2022.

12. Related parties

The Organization received contributions from members of the Board of Directors during the year ended June 30, 2021 totaling $16,500.