

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON
YEARS ENDED JUNE 30, 2011 AND 2010

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.

CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6-10

HAMILTON, THOMAS & CO., PLLC
CERTIFIED PUBLIC ACCOUNTANTS

4360 BROWNSBORO ROAD, SUITE 320
LOUISVILLE, KENTUCKY 40207
(502) 893-0337 FAX: (502) 895-2492

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Visually Impaired Preschool Services
of Greater Louisville, Inc.
Louisville, Kentucky

We have audited the accompanying statements of financial position of Visually Impaired Preschool Services of Greater Louisville, Inc. as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visually Impaired Preschool Services of Greater Louisville, Inc. as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

October 27, 2011

Hamilton, Thomas & Co., PLLC

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2011	2010
ASSETS:		
Cash	\$ 123,949	\$ 44,174
Cash - restricted	47,901	35,527
Accounts receivable	32,360	61,074
Unconditional promises to give -		
Funding for next fiscal year	217,475	170,410
Capital campaign contributions receivable	5,368	256,288
Other	7,244	-
Prepaid expenses and other assets	34,645	22,867
Land, building and equipment, net	2,322,270	2,400,909
Real estate subject to life estate	<u>95,610</u>	<u>95,610</u>
TOTAL ASSETS	<u>\$2,886,822</u>	<u>\$3,086,859</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 26,551	\$ 47,266
Deferred revenue	147,353	96,450
Mortgage note payable	<u>-</u>	<u>232,479</u>
Total liabilities	173,904	376,195
NET ASSETS:		
Unrestricted	2,334,817	2,369,504
Temporarily restricted	368,407	331,661
Permanently restricted as general endowment	<u>9,694</u>	<u>9,499</u>
Total net assets	<u>2,712,918</u>	<u>2,710,664</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,886,822</u>	<u>\$3,086,859</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30	
	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue -		
Contributions	\$ 647,898	\$ 451,504
Fees	315,972	347,723
Local government grants	-	7,580
Interest income	204	390
Loss on disposal of fixed assets	<u>(5,255)</u>	<u>-</u>
Total unrestricted revenue	958,819	807,197
Net assets released from restrictions -		
United Way and WHAS Crusade for		
Children funding for the period	176,785	186,080
Satisfaction of asset acquisition restrictions	1,965	13,422
Satisfaction of other program and time restrictions	<u>235,091</u>	<u>246,055</u>
Total net assets released from restrictions	<u>413,841</u>	<u>445,557</u>
Total unrestricted revenue and other support	<u>1,372,660</u>	<u>1,252,754</u>
Expenses -		
Preschool services program	977,653	992,304
Management and general	248,761	229,426
Fund raising	<u>180,933</u>	<u>188,476</u>
Total expenses	<u>1,407,347</u>	<u>1,410,206</u>
Change in unrestricted net assets	<u>(34,687)</u>	<u>(157,452)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
United Way funding for the next year	159,136	124,757
WHAS Crusade for Children funding	50,000	65,500
Capital campaign contributions	1,285	24,725
Other contributions	240,166	286,351
Net assets released from restrictions	<u>(413,841)</u>	<u>(445,557)</u>
Change in temporarily restricted net assets	<u>36,746</u>	<u>55,776</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	<u>195</u>	<u>248</u>
Total change in net assets	2,254	(101,428)
Net assets, beginning of year	<u>2,710,664</u>	<u>2,812,092</u>
NET ASSETS, END OF YEAR	<u>\$ 2,712,918</u>	<u>\$ 2,710,664</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2011				Year Ended June 30, 2010			
	Preschool Services Program	Management and General	Fund Raising	Total	Preschool Services Program	Management and General	Fund Raising	Total
Salaries and wages	\$551,970	\$166,204	\$ 55,324	\$ 773,498	\$535,085	\$161,012	\$ 49,923	\$ 746,020
Payroll taxes	43,191	10,838	3,676	57,705	40,269	11,287	4,180	55,736
Employee benefits	68,854	21,493	4,124	94,471	70,304	14,375	1,876	86,555
Supplies	5,006	477	-	5,483	7,966	1,095	-	9,061
Telephone	17,576	7,328	-	24,904	16,559	1,426	-	17,985
Postage and handling	6,064	299	61	6,424	4,359	270	758	5,387
Printing and publishing	14,585	397	1,153	16,135	9,777	209	4,534	14,520
Travel	27,909	1,787	1,603	31,299	31,090	2,694	2,160	35,944
Conferences, conventions and meetings	4,826	986	1,190	7,002	2,699	628	1,433	4,760
Professional fees	-	8,500	-	8,500	2,325	8,500	-	10,825
Dues and memberships	3,935	1,382	-	5,317	4,313	2,218	-	6,531
Special programs	23,535	-	-	23,535	51,150	-	-	51,150
Insurance	12,425	3,170	-	15,595	13,260	2,752	-	16,012
Information technology	14,520	920	-	15,440	9,781	893	-	10,674
Interest	6,911	441	-	7,352	17,990	1,148	-	19,138
Repairs and maintenance	22,162	1,648	-	23,810	37,006	2,569	-	39,575
Other occupancy costs	30,123	3,775	-	33,898	27,238	6,138	-	33,376
Golf tournaments and other fund raisers	-	-	109,353	109,353	-	-	116,238	116,238
Capital campaign expenses	-	-	-	-	-	-	76	76
Video production	3,896	-	-	3,896	2,577	-	-	2,577
Other expenses	25,391	13,784	4,449	43,624	14,780	7,874	7,298	29,952
Total expenses before depreciation	882,879	243,429	180,933	1,307,241	898,528	225,088	188,476	1,312,092
Depreciation of building and equipment	94,774	5,332	-	100,106	93,776	4,338	-	98,114
TOTAL EXPENSES	\$977,653	\$248,761	\$180,933	\$1,407,347	\$992,304	\$229,426	\$188,476	\$1,410,206

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,254	\$ (101,428)
Adjustments to reconcile to cash -		
Depreciation	100,106	98,114
Loss on disposal of fixed assets	5,255	-
Contributions restricted for endowments and property and equipment	(1,480)	(24,973)
(Increase) decrease in:		
Accounts receivable	28,714	15,554
Unconditional promises to give	(54,309)	(1,962)
Prepaid expenses	(11,778)	3,224
Increase (decrease) in:		
Accounts payable and accrued expenses	(20,715)	11,743
Deferred revenue	<u>50,903</u>	<u>(54,496)</u>
Net cash provided by (used in) operating activities	<u>98,950</u>	<u>(54,224)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(26,722)	(15,812)
Decrease in restricted cash	<u>(12,374)</u>	<u>11,359</u>
Net cash used in investing activities	<u>(39,096)</u>	<u>(4,453)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for -		
Investment in property and equipment	252,205	257,854
Investment in endowments	195	248
Payment on mortgage note payable	<u>(232,479)</u>	<u>(250,000)</u>
Net cash provided by financing activities	<u>19,921</u>	<u>8,102</u>
Net increase (decrease) in cash	79,775	(50,575)
Cash, beginning of year	<u>44,174</u>	<u>94,749</u>
CASH, END OF YEAR	<u>\$ 123,949</u>	<u>\$ 44,174</u>
SUPPLEMENTAL DISCLOSURES:		
Interest paid	\$ 7,352	\$ 19,138

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization - Visually Impaired Preschool Services of Greater Louisville, Inc. (VIPS) is a non-profit agency offering services to infants, toddlers, and preschoolers who are visually impaired, and to their families, with the objective of maximizing each child's developmental potential through direct services, advocacy and community education. VIPS is headquartered in Louisville, Kentucky and also has an office in Lexington, Kentucky. It serves families within a 50-mile radius of either office through direct intervention, and to the remaining Kentucky counties through outreach. VIPS also serves children in Southern Indiana.

B. Financial Statement Presentation - The financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets, liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

Under established financial reporting standards for not-for-profit organizations, net assets and revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by VIPS. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of VIPS and/or the passage of time.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Revenues from sources other than contributions are reported as increases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets.

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010
(CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions including unconditional promises to give and bequests, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted at an interest rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

C. Accounts receivable - Accounts receivable are reported on the balance sheet at historical value adjusted for any charge offs and the allowance for doubtful accounts. Receivables are charged off in the period in which they are deemed to be uncollectable. The allowance for doubtful accounts reflects management's best estimate of probable losses determined principally on the basis of historical experience and known troubled accounts. At June 30, 2011 and 2010, management determined that no allowance for doubtful accounts was necessary.

D. Land, Building, Equipment and Depreciation - Land, building and equipment are recorded at cost. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method.

E. Income Taxes - VIPS is exempt from income tax under section 501(c)(3) of the Internal Revenue Code.

F. Subsequent Events - VIPS evaluates events subsequent to the date of the statement of financial position to determine if they have an affect on matters reported in the financial statements, or should be disclosed under current accounting standards. The Organization has evaluated all subsequent events through October 27, 2011, the date the financial statements were available to be issued.

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010
(CONTINUED)

NOTE 2 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give include funding for the next fiscal year from United Way, WHAS Crusade for Children and other grants. In addition, VIPS conducted a capital campaign to raise funds for the purchase, renovation and expansion of a new building. Unconditional promises to give to this campaign are included in the financial statements as contributions receivable and temporarily restricted revenue. Contributions receivable are recorded after discounting to the present value of future cash flows. Restrictions are released as capital expenditures are made. Cash received from the capital campaign but not yet expended is segregated in the statement of financial position as restricted cash.

Capital campaign contributions receivable at June 30, 2011 are all expected to be realized within one year.

NOTE 3 - CONDITIONAL GRANTS

VIPS has received grants of \$150,000 for future operations that are conditional upon obtaining matching funds. The grants are payable quarterly as matching funds are obtained. The financial statements at June 30, 2011 include \$50,000 in temporarily restricted revenue and unconditional promises to give, representing the portion of the grants that had been matched but unpaid, as of June 30, 2011.

NOTE 4 - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following:

	June 30	
	2011	2010
Land	\$ 287,000	\$ 287,000
Building and improvements	2,199,641	2,199,641
Furniture and equipment	<u>307,488</u>	<u>315,026</u>
	2,794,129	2,801,667
Less accumulated depreciation	<u>471,859</u>	<u>400,758</u>
	<u>\$2,322,270</u>	<u>\$2,400,909</u>

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010
(CONTINUED)

NOTE 5 - REAL ESTATE SUBJECT TO LIFE ESTATE

During 2004, VIPS received as a donation a parcel of residential real estate that is subject to a life estate. Under the terms of the property transfer, two individuals will be allowed to occupy the property for the remainder of their lives. These individuals in turn will pay all expenses related to the property. Upon the last to die VIPS will have unrestricted title to the property. The real estate was recorded at fair value when received. Due to the life estate the contribution has been discounted to present value based on the joint life expectancy of the individuals, using a discount rate of 4.6%. Deferred revenue is recorded for the difference in these two amounts.

NOTE 6 - BANK LINE OF CREDIT

The Organization has a \$100,000 line of credit with the bank. Interest on the line of credit is payable at the bank's prime rate. There were no amounts outstanding on the credit line at June 30, 2011 or 2010.

NOTE 7 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2011 and 2010 are available for the following purposes:

	June 30	
	2011	2010
United Way allocation for the subsequent year	\$ 159,136	\$ 124,757
Crusade for Children allocation for the subsequent year	8,339	10,368
Other grants for subsequent year operations	50,000	40,000
Special programs	55,909	55,015
Capital campaign	53,403	59,470
Other equipment and improvements	6,745	8,710
Real estate subject to life estate	<u>34,875</u>	<u>33,341</u>
	<u>\$ 368,407</u>	<u>\$ 331,661</u>

Funds raised from the capital campaign may be used to complete the furnishing of the new building addition and to pay interest on funds borrowed to construct the building addition. Any funds remaining after all pledges are collected will be placed in a permanently restricted endowment, the income from which will be used to support the operations of VIPS.

VISUALLY IMPAIRED PRESCHOOL SERVICES
OF GREATER LOUISVILLE, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010
(CONTINUED)

NOTE 8 - OPERATING LEASE

VIPS conducts its central Kentucky operations from a leased facility located in Lexington, Kentucky rented on a month to month basis. Rental expense under this lease was \$14,400 for 2011 and 2010.

NOTE 9 - PENSION PLAN

VIPS has adopted a defined contribution pension plan covering substantially all of its full-time employees. VIPS must contribute 3% of covered employee compensation, plus match 50% of the first 2% of the salary reduction an employee elects to contribute. VIPS's contributions under the plan amounted to \$26,308 for 2011 and \$20,641 for 2010.