

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON
YEARS ENDED JUNE 30, 2017 AND 2016

VISUALLY IMPAIRED PRESCHOOL SERVICES, 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	6-9

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Visually Impaired Preschool Services, Inc., which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visually Impaired Preschool Services, Inc. as of June 30, 2017 and 2016, 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 20, 2017

Hamilton, Thomas & Co.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2017	2016
ASSETS:		
Cash	\$ 256,401	\$ 407,537
Cash - restricted for endowment	133,704	104,346
Accounts receivable	106,444	115,737
Unconditional promises to give -		
Funding for next fiscal year	193,212	217,960
Prepaid expenses and other assets	3,233	664
Cash value of life insurance	22,177	22,273
Land, building and equipment, net	<u>1,968,597</u>	<u>2,016,208</u>
TOTAL ASSETS	<u>\$2,683,768</u>	<u>\$2,884,725</u>
LIABILITIES:		
Accounts payable and accrued expenses	98,887	\$ 92,542
Deferred revenue	<u>25</u>	<u>5,630</u>
Total liabilities	98,912	98,172
NET ASSETS:		
Unrestricted	2,211,660	2,402,809
Temporarily restricted	239,492	279,398
Permanently restricted as general endowment	<u>133,704</u>	<u>104,346</u>
Total net assets	<u>2,584,856</u>	<u>2,786,553</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,683,768</u>	<u>\$2,884,725</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30	
	2017	2016
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue -		
Contributions	\$1,001,928	\$ 746,619
Fees	524,002	513,134
Local government grants	8,000	8,000
Interest income	313	401
Loss on sale of fixed assets	-	(913)
Other gains (losses)	<u>(96)</u>	<u>(41)</u>
Total unrestricted revenue	1,534,147	1,267,200
Net assets released from restrictions -		
United Way and WHAS Crusade for		
Children funding for the period	249,627	255,459
Satisfaction of other program and time restrictions	<u>229,759</u>	<u>320,301</u>
Total net assets released from restrictions	479,386	575,760
Total unrestricted revenue and other support	<u>2,013,533</u>	<u>1,842,960</u>
Expenses -		
Preschool services programs	1,725,443	1,450,218
Management and general	279,300	253,108
Fund raising	<u>199,939</u>	<u>182,757</u>
Total expenses	<u>2,204,682</u>	<u>1,886,083</u>
Change in unrestricted net assets	<u>(191,149)</u>	<u>(43,123)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
United Way funding for the next year	96,879	119,793
WHAS Crusade for Children funding	128,000	139,000
Other contributions	214,601	299,080
Net assets released from restrictions	<u>(479,386)</u>	<u>(575,760)</u>
Change in temporarily restricted net assets	<u>(39,906)</u>	<u>(17,887)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	<u>29,358</u>	<u>17</u>
Total change in net assets	(201,697)	(60,993)
Net assets, beginning of year	<u>2,786,553</u>	<u>2,847,546</u>
NET ASSETS, END OF YEAR	<u><u>\$2,584,856</u></u>	<u><u>\$2,786,553</u></u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2017				Year Ended June 30, 2016			
	Preschool Services Programs	Management and General	Fund Raising	Total	Preschool Services Programs	Management and General	Fund Raising	Total
Salaries and wages	\$ 962,370	\$ 180,037	\$ 70,560	\$ 1,212,967	\$ 825,643	\$ 159,619	\$ 53,260	\$ 1,038,522
Payroll taxes	69,510	13,028	4,023	86,561	62,254	12,252	3,891	78,397
Employee benefits	121,074	21,107	5,527	147,708	85,858	17,837	5,795	109,490
Supplies	7,758	401	-	8,159	8,192	456	-	8,648
Telephone	24,592	4,789	-	29,381	23,937	4,398	-	28,335
Postage and handling	5,626	237	4,307	10,170	8,144	230	3,912	12,286
Printing and publishing	14,829	158	-	14,987	22,670	195	-	22,865
Travel	107,544	3,968	2,166	113,678	70,722	3,710	1,763	76,195
Conferences, conventions and meetings	5,624	385	2,420	8,429	17,529	818	1,194	19,541
Professional fees	6,500	15,150	1,000	22,650	-	11,100	-	11,100
Dues and memberships	6,712	2,931	-	9,643	6,539	3,097	-	9,636
Special programs	98,940	-	-	98,940	71,261	-	-	71,261
Insurance	22,502	5,597	-	28,099	21,500	5,862	-	27,362
Information technology	25,608	1,356	-	26,964	31,275	2,007	-	33,282
Repairs and maintenance	30,113	1,980	-	32,093	32,650	1,832	-	34,482
Other occupancy costs	71,331	8,172	-	79,503	54,567	6,606	-	61,173
Golf tournaments and other fund raisers	-	-	94,895	94,895	-	-	97,688	97,688
Video production	8,160	-	-	8,160	-	-	-	-
Other expenses	58,476	8,802	15,041	82,319	33,709	11,084	15,254	60,047
Total expenses before depreciation	1,647,269	268,098	199,939	2,115,306	1,376,450	241,103	182,757	1,800,310
Depreciation of building and equipment	78,174	11,202	-	89,376	73,768	12,005	-	85,773
TOTAL EXPENSES	\$ 1,725,443	\$ 279,300	\$ 199,939	\$ 2,204,682	\$ 1,450,218	\$ 253,108	\$ 182,757	\$ 1,886,083

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (201,697)	\$ (60,993)
Adjustments to reconcile to cash -		
Depreciation	89,376	85,773
Contributions restricted for endowments	(29,358)	(17)
Loss on sale of fixed assets	-	913
Decrease in cash value of life insurance	96	41
(Increase) decrease in:		
Accounts receivable	9,293	(33,166)
Unconditional promises to give	24,748	(15,544)
Prepaid expenses	(2,569)	2,014
Increase (decrease) in:		
Accounts payable and accrued expenses	6,345	(25,513)
Deferred revenue	(5,605)	(6,864)
Net cash used in operating activities	<u>(109,371)</u>	<u>(53,356)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(41,765)	(41,388)
Increase in restricted cash	(29,358)	(306)
Proceeds from sale of equipment	-	15,000
Net cash used in investing activities	<u>(71,123)</u>	<u>(26,694)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for -		
Investment in endowments	<u>29,358</u>	<u>17</u>
Net decrease in cash	(151,136)	(80,033)
Cash, beginning of year	<u>407,537</u>	<u>487,570</u>
CASH, END OF YEAR	<u><u>\$ 256,401</u></u>	<u><u>\$ 407,537</u></u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization - Visually Impaired Preschool Services, 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 facilities in Lexington, Kentucky and Indianapolis, Indiana. It serves families within a 50-mile radius of each office through direct intervention, and to other areas of Kentucky and Indiana through outreach.

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.

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.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017 AND 2016
 (CONTINUED)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2017 and 2016, 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. Donated Services – Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by VIPS. For the year ended June 30, 2017, certain donated legal and marketing services with a fair value totaling \$11,000 were recorded as contributions and corresponding expenses as follows:

	Preschool Services Programs	Management and General	Fund Raising
Legal services	\$3,500	\$3,500	\$ -
Marketing services	<u>3,000</u>	<u>-</u>	<u>1,000</u>
Total professional services	<u>\$6,500</u>	<u>\$3,500</u>	<u>\$ 1,000</u>

F. Income Taxes - VIPS is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. GAAP requires VIPS to evaluate tax positions taken and recognize a tax liability (or asset) if it has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. VIPS has analyzed its tax positions and has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. VIPS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

G. 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 20, 2017, the date the financial statements were available to be issued.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2017 AND 2016
 (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. Contributions receivable at June 30, 2017 are all expected to be realized within one year.

NOTE 3 - CONDITIONAL GRANTS

VIPS has received grants for future operations that are conditional upon obtaining matching funds. The grants are payable subsequent to June 30, 2017. The financial statements at June 30, 2017 include \$150,000 in temporarily restricted revenue and unconditional promises to give, representing the portion of the grants that had been matched as of June 30, 2017, \$75,000 of which was unpaid. Unrecorded conditional grants at June 30, 2017 amounted to an additional \$150,000.

NOTE 4 - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following:

	June 30	
	2017	2016
Land	\$ 287,000	\$ 287,000
Building and improvements	2,251,139	2,223,139
Furniture and equipment	<u>407,366</u>	<u>393,602</u>
	2,945,505	2,903,741
Less accumulated depreciation	<u>976,908</u>	<u>887,533</u>
	<u>\$1,968,597</u>	<u>\$2,016,208</u>

NOTE 5 - 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 borrowed or outstanding on the credit line during the years ended June 30, 2017 or 2016.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016
(CONTINUED)

NOTE 6 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2017 and 2016 are available for the following purposes:

	June 30	
	2017	2016
United Way allocation for the subsequent year	\$ 96,879	\$119,793
Crusade for Children allocation for the subsequent year	21,333	23,167
Other grants for subsequent year operations	75,000	75,000
Special programs	43,280	58,438
Equipment and improvements	<u>3,000</u>	<u>3,000</u>
	<u>\$239,492</u>	<u>\$279,398</u>

NOTE 7 - OPERATING LEASES

VIPS conducts its central Kentucky operations from a leased facility located in Lexington, Kentucky. The current lease is for a term of five years beginning January 1, 2016. VIPS conducts its Indiana operations from a leased facility located in Indianapolis, Indiana. This lease is for a term of one year beginning December 1, 2015 with two one-year options for renewal. Rental expense under these leases was \$42,900 for 2017 and \$25,900 for 2016. Minimum future rental commitments under noncancellable leases with original terms in excess of one year at June 30, 2017, are as follows:

Year ending June 30 –	
2018	\$ 30,000
2019	30,000
2020	30,000
2021	<u>15,000</u>
	<u>\$105,000</u>

NOTE 8 - 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 \$32,873 for 2017 and \$30,416 for 2016.

NOTE 9 - CONCENTRATION OF CREDIT RISK AND FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

VIPS maintains its operating cash in a financial institution located in Louisville, Kentucky. Deposit accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. VIPS uninsured cash totaled \$66,937 at June 30, 2017.