

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON
YEARS ENDED JUNE 30, 2016 AND 2015

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

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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, 2016 and 2015, 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, 2016 and 2015, 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.

Hamilton, Thomas & Co., PLLC

November 15, 2016

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2016	2015
ASSETS:		
Cash	\$ 407,537	\$ 487,570
Cash - restricted for endowment	104,346	104,040
Accounts receivable	115,737	82,571
Unconditional promises to give -		
Funding for next fiscal year	217,960	202,127
Other	-	289
Prepaid expenses and other assets	664	2,678
Cash value of life insurance	22,273	22,314
Land, building and equipment, net	<u>2,016,208</u>	<u>2,076,506</u>
 TOTAL ASSETS	 <u>\$2,884,725</u>	 <u>\$2,978,095</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 92,542	\$ 118,055
Deferred revenue	<u>5,630</u>	<u>12,494</u>
Total liabilities	98,172	130,549
NET ASSETS:		
Unrestricted	2,402,809	2,445,932
Temporarily restricted	279,398	297,285
Permanently restricted as general endowment	<u>104,346</u>	<u>104,329</u>
Total net assets	<u>2,786,553</u>	<u>2,847,546</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$2,884,725</u>	 <u>\$2,978,095</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30	
	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue -		
Contributions	\$ 746,619	\$ 676,880
Fees	513,134	353,908
Local government grants	8,000	6,500
Interest income	401	729
Loss on sale of fixed assets	(913)	-
Other gains (losses)	(41)	92
Total unrestricted revenue	<u>1,267,200</u>	<u>1,038,109</u>
Net assets released from restrictions -		
United Way and WHAS Crusade for		
Children funding for the period	255,459	242,779
Satisfaction of other program and time restrictions	320,301	426,846
Total net assets released from restrictions	<u>575,760</u>	<u>669,625</u>
Total unrestricted revenue and other support	<u>1,842,960</u>	<u>1,707,734</u>
Expenses -		
Preschool services program	1,450,218	1,262,080
Management and general	253,108	267,348
Fund raising	182,757	245,616
Total expenses	<u>1,886,083</u>	<u>1,775,044</u>
Change in unrestricted net assets	<u>(43,123)</u>	<u>(67,310)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
United Way funding for the next year	119,793	119,793
WHAS Crusade for Children funding	139,000	119,000
Other contributions	299,080	450,090
Net assets released from restrictions	(575,760)	(669,625)
Change in temporarily restricted net assets	<u>(17,887)</u>	<u>19,258</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	<u>17</u>	<u>41,537</u>
Total change in net assets	(60,993)	(6,515)
Net assets, beginning of year	<u>2,847,546</u>	<u>2,854,061</u>
NET ASSETS, END OF YEAR	<u><u>\$2,786,553</u></u>	<u><u>\$2,847,546</u></u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2016				Year Ended June 30, 2015			
	Preschool Services Programs	Management and General	Fund Raising	Total	Preschool Services Programs	Management and General	Fund Raising	Total
Salaries and wages	\$ 825,643	\$ 159,619	\$ 53,260	\$ 1,038,522	\$ 744,995	\$ 180,508	\$ 70,588	\$ 996,091
Payroll taxes	62,254	12,252	3,891	78,397	58,314	11,376	4,462	74,152
Employee benefits	85,858	17,837	5,795	109,490	69,167	20,588	7,673	97,428
Supplies	8,192	456	-	8,648	6,363	317	-	6,680
Telephone	23,937	4,398	-	28,335	20,688	4,385	-	25,073
Postage and handling	8,144	230	3,912	12,286	6,202	202	4,913	11,317
Printing and publishing	22,670	195	-	22,865	13,078	151	-	13,229
Travel	70,722	3,710	1,763	76,195	53,665	3,070	2,775	59,510
Conferences, conventions and meetings	17,529	818	1,194	19,541	10,410	441	1,961	12,812
Professional fees	-	11,100	-	11,100	-	9,600	-	9,600
Dues and memberships	6,539	3,097	-	9,636	3,122	2,549	-	5,671
Special programs	71,261	-	-	71,261	36,518	-	-	36,518
Insurance	21,500	5,862	-	27,362	16,680	3,824	-	20,504
Information technology	31,275	2,007	-	33,282	18,889	1,459	-	20,348
Repairs and maintenance	32,650	1,832	-	34,482	27,699	1,869	-	29,568
Other occupancy costs	54,567	6,606	-	61,173	43,210	5,951	-	49,161
Golf tournaments and other fund raisers	-	-	97,688	97,688	-	-	115,360	115,360
Other expenses	33,709	11,084	15,254	60,047	57,558	8,561	37,884	104,003
Total expenses before depreciation	1,376,450	241,103	182,757	1,800,310	1,186,558	254,851	245,616	1,687,025
Depreciation of building and equipment	73,768	12,005	-	85,773	75,522	12,497	-	88,019
TOTAL EXPENSES	\$ 1,450,218	\$ 253,108	\$ 182,757	\$ 1,886,083	\$ 1,262,080	\$ 267,348	\$ 245,616	\$ 1,775,044

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (60,993)	\$ (6,515)
Adjustments to reconcile to cash -		
Depreciation	85,773	88,019
Contributions restricted for endowments	(17)	(41,537)
Loss on sale of fixed assets	913	-
Decrease (increase) in cash value of life insurance	41	(92)
(Increase) decrease in:		
Accounts receivable	(33,166)	(34,391)
Unconditional promises to give	(15,544)	(2,554)
Prepaid expenses	2,014	7,719
Increase (decrease) in:		
Accounts payable and accrued expenses	(25,513)	6,559
Deferred revenue	(6,864)	(26,722)
Net cash used in operating activities	<u>(53,356)</u>	<u>(9,514)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(41,388)	(55,454)
Increase in restricted cash	(306)	(41,742)
Proceeds from sale of equipment	<u>15,000</u>	<u>-</u>
Net cash used in investing activities	<u>(26,694)</u>	<u>(97,196)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for -		
Investment in endowments	<u>17</u>	<u>41,537</u>
Net decrease in cash	(80,033)	(65,173)
Cash, beginning of year	<u>487,570</u>	<u>552,743</u>
CASH, END OF YEAR	<u>\$ 407,537</u>	<u>\$ 487,570</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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, 2016 AND 2015
(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, 2016 and 2015, 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. 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.

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 November 15, 2016, the date the financial statements were available to be issued.

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, 2016 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, 2016. The financial statements at June 30, 2016 include \$150,000 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, 2016. Unrecorded conditional grants at June 30, 2016 amounted to an additional \$150,000.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

NOTE 4 - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following:

	June 30	
	2016	2015
Land	\$ 287,000	\$ 287,000
Building and improvements	2,223,139	2,204,708
Furniture and equipment	<u>393,602</u>	<u>389,210</u>
	2,903,741	2,880,918
Less accumulated depreciation	<u>887,533</u>	<u>804,412</u>
	<u>\$2,016,208</u>	<u>\$2,076,506</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, 2016 or 2015.

NOTE 6 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes:

	June 30	
	2016	2015
United Way allocation for the subsequent year	\$ 119,793	\$ 119,793
Crusade for Children allocation for the subsequent year	23,167	19,833
Other grants for subsequent year operations	75,000	87,500
Special programs	58,438	57,730
Equipment and improvements	<u>3,000</u>	<u>12,429</u>
	<u>\$279,398</u>	<u>\$297,285</u>

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015
(CONTINUED)

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 \$25,900 for 2016 and \$20,999 for 2015. Minimum future rental commitments under noncancellable leases with original terms in excess of one year at June 30, 2016, are as follows:

Year ending June 30 –	
2017	\$ 30,000
2018	30,000
2019	30,000
2020	30,000
2021	<u>15,000</u>
	<u>\$135,000</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 \$30,416 for 2016 and \$27,261 for 2015.

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 \$207,927 at June 30, 2016.