

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON
YEARS ENDED JUNE 30, 2018 AND 2017

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	6-10

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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, 2018 and 2017, 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, 2018 and 2017, 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 11, 2018

Hamilton, Thomas & Co., PLLC

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2018	2017
ASSETS:		
Cash	\$ 236,761	\$ 256,401
Cash - restricted for endowment	133,704	133,704
Accounts receivable	24,118	106,444
Unconditional promises to give	285,808	193,212
Prepaid expenses and other assets	4,170	3,233
Cash value of life insurance	21,936	22,177
Land, building and equipment, net	<u>1,923,746</u>	<u>1,968,597</u>
TOTAL ASSETS	<u>\$2,630,243</u>	<u>\$2,683,768</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 117,143	\$ 98,887
Deferred revenue	<u>10,272</u>	<u>25</u>
Total liabilities	127,415	98,912
NET ASSETS:		
Unrestricted	2,019,072	2,211,660
Temporarily restricted	350,052	239,492
Permanently restricted as general endowment	<u>133,704</u>	<u>133,704</u>
Total net assets	<u>2,502,828</u>	<u>2,584,856</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,630,243</u>	<u>\$2,683,768</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30	
	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenue -		
Contributions	\$1,125,239	\$ 1,001,928
Fees	617,713	524,002
Local government grants	8,000	8,000
Interest income	159	313
Other gains (losses)	<u>(241)</u>	<u>(96)</u>
Total unrestricted revenue	1,750,870	1,534,147
Net assets released from restrictions -		
United Way and WHAS Crusade for		
Children funding for the period	228,962	249,627
Satisfaction of other program and time restrictions	<u>200,000</u>	<u>229,759</u>
Total net assets released from restrictions	428,962	479,386
Total unrestricted revenue and other support	<u>2,179,832</u>	<u>2,013,533</u>
Expenses -		
Preschool services programs	1,859,310	1,725,443
Management and general	320,443	279,300
Fund raising	<u>192,667</u>	<u>199,939</u>
Total expenses	<u>2,372,420</u>	<u>2,204,682</u>
Change in unrestricted net assets	<u>(192,588)</u>	<u>(191,149)</u>
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
United Way funding for the next year	103,490	96,879
WHAS Crusade for Children funding	133,250	128,000
Other contributions	302,782	214,601
Net assets released from restrictions	<u>(428,962)</u>	<u>(479,386)</u>
Change in temporarily restricted net assets	<u>110,560</u>	<u>(39,906)</u>
CHANGES IN PERMANENTLY RESTRICTED NET ASSETS:		
Contributions	<u>-</u>	<u>29,358</u>
Total change in net assets	(82,028)	(201,697)
Net assets, beginning of year	<u>2,584,856</u>	<u>2,786,553</u>
NET ASSETS, END OF YEAR	<u>\$2,502,828</u>	<u>\$2,584,856</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2018				Year Ended June 30, 2017			
	Preschool Services Programs	Management and General	Fund Raising	Total	Preschool Services Programs	Management and General	Fund Raising	Total
Salaries and wages	\$ 1,084,129	\$ 200,844	\$ 72,354	\$ 1,357,327	\$ 962,370	\$ 180,037	\$ 70,560	\$ 1,212,967
Payroll taxes	76,781	14,891	4,703	96,375	69,510	13,028	4,023	86,561
Employee benefits	138,662	14,942	7,576	161,180	121,074	21,107	5,527	147,708
Supplies	9,760	1,032	-	10,792	7,758	401	-	8,159
Telephone	22,285	1,873	-	24,158	24,592	4,789	-	29,381
Postage and handling	4,312	191	4,659	9,162	5,626	237	4,307	10,170
Printing and publishing	17,637	518	-	18,155	14,829	158	-	14,987
Travel	120,602	2,882	235	123,719	107,544	3,968	2,166	113,678
Conferences, conventions and meetings	11,512	2,880	590	14,982	5,624	385	2,420	8,429
Professional fees	10,875	18,025	-	28,900	6,500	15,150	1,000	22,650
Dues and memberships	3,898	2,682	-	6,580	6,712	2,931	-	9,643
Special programs	89,824	-	-	89,824	98,940	-	-	98,940
Insurance	22,171	5,776	-	27,947	22,502	5,597	-	28,099
Information technology	20,510	4,125	-	24,635	25,608	1,356	-	26,964
Repairs and maintenance	23,269	1,398	-	24,667	30,113	1,980	-	32,093
Other occupancy costs	72,143	10,835	-	82,978	71,331	8,172	-	79,503
Golf tournaments and other fund raisers	-	-	89,396	89,396	-	-	94,895	94,895
Video production	3,215	-	-	3,215	8,160	-	-	8,160
Other expenses	49,635	28,052	13,154	90,841	58,476	8,802	15,041	82,319
Total expenses before depreciation	1,781,220	310,946	192,667	2,284,833	1,647,269	268,098	199,939	2,115,306
Depreciation of building and equipment	78,090	9,497	-	87,587	78,174	11,202	-	89,376
TOTAL EXPENSES	\$ 1,859,310	\$ 320,443	\$ 192,667	\$ 2,372,420	\$ 1,725,443	\$ 279,300	\$ 199,939	\$ 2,204,682

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (82,028)	\$ (201,697)
Adjustments to reconcile to cash -		
Depreciation	87,587	89,376
Contributions restricted for endowments	-	(29,358)
Decrease in cash value of life insurance	241	96
(Increase) decrease in:		
Accounts receivable	82,326	9,293
Unconditional promises to give	(92,596)	24,748
Prepaid expenses	(937)	(2,569)
Increase (decrease) in:		
Accounts payable and accrued expenses	18,256	6,345
Deferred revenue	10,247	(5,605)
Net cash provided by (used in) operating activities	<u>23,096</u>	<u>(109,371)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(42,736)	(41,765)
Increase in restricted cash	-	(29,358)
Net cash used by investing activities	<u>(42,736)</u>	<u>(71,123)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for -		
Investment in endowments	-	29,358
Net decrease in cash	(19,640)	(151,136)
Cash, beginning of year	<u>256,401</u>	<u>407,537</u>
CASH, END OF YEAR	<u>\$ 236,761</u>	<u>\$ 256,401</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 AND 2017
(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, 2018 and 2017, 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 years ended June 30, 2018 and 2017, certain donated legal and marketing services with a fair value totaling \$14,500 and \$11,000, respectively, were recorded as contributions and corresponding expenses as follows:

	<u>Preschool Services Programs</u>	<u>Management and General</u>	<u>Fund Raising</u>
December 31, 2018 -			
Legal services	\$ 5,250	\$1,750	\$ -
Marketing services	<u>5,625</u>	<u>1,875</u>	<u>-</u>
Total professional services	<u>\$10,875</u>	<u>\$3,625</u>	<u>\$ -</u>
December 31, 2017 -			
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 11, 2018, the date the financial statements were available to be issued.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017
(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 and contributions. Unconditional promises to give are estimated to be collected as follows at June 30, 2018 and 2017:

	June 30	
	2018	2017
Within one year	\$ 217,688	\$ 193,212
In one to five years	40,000	-
Over five years	<u>50,000</u>	<u>-</u>
	307,688	193,212
Less discount to net present value at a rate of 2.5%	<u>(21,880)</u>	<u>-</u>
	<u>\$ 285,808</u>	<u>\$ 193,212</u>

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, 2018. The financial statements at June 30, 2018 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, 2018, \$75,000 of which was unpaid. Unrecorded conditional grants at June 30, 2018 amounted to an additional \$175,000.

NOTE 4 - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following:

	June 30	
	2018	2017
Land	\$ 287,000	\$ 287,000
Building and improvements	2,251,139	2,251,139
Furniture and equipment	418,346	407,366
Improvements in process	23,663	-
Property under contract	<u>8,094</u>	<u>-</u>
	2,988,242	2,945,505
Less accumulated depreciation	<u>1,064,496</u>	<u>976,908</u>
	<u>\$1,923,746</u>	<u>\$1,968,597</u>

VIPS has entered into a contract to purchase property adjacent to their Louisville location for \$237,000. VIPS has provided a \$5,000 good faith deposit and spent an additional \$3,094 on site planning. VIPS has secured financing and the estimated closing date will be within 30 days of the removal of all contingencies related to the contract.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017
(CONTINUED)

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, 2018 or 2017.

NOTE 6 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	June 30	
	2018	2017
United Way allocation for the subsequent year	\$103,490	\$ 96,879
Crusade for Children allocation for the subsequent year	22,500	21,333
Other grants for subsequent year operations	75,000	75,000
Special programs	51,662	43,280
Equipment and improvements	19,280	3,000
Promises to give available for use when collected	<u>78,120</u>	<u>-</u>
	<u>\$350,052</u>	<u>\$239,492</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 under a one year lease that expires November 30, 2018. Rental expense under these leases was \$43,800 for 2018 and \$42,900 for 2017. Minimum future rental commitments under noncancellable leases with original terms in excess of one year at June 30, 2018, are as follows:

Year ending June 30 –	
2019	\$ 30,000
2020	30,000
2021	<u>15,000</u>
	<u>\$ 75,000</u>

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017
(CONTINUED)

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 \$42,004 for 2018 and \$32,873 for 2017.

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 \$ 37,531 at June 30, 2018.