

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT THEREON
YEARS ENDED JUNE 30, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, 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 22, 2019

Hamilton, Thomas & Co., PLLC

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30	
	2019	2018
ASSETS:		
Cash	\$ 202,192	\$ 236,761
Cash - restricted for endowment	133,704	133,704
Accounts receivable	57,012	24,118
Unconditional promises to give	211,502	285,808
Prepaid expenses and other assets	7,430	4,170
Cash value of life insurance	21,565	21,936
Land, building and equipment, net	<u>2,134,464</u>	<u>1,923,746</u>
TOTAL ASSETS	<u>\$2,767,869</u>	<u>\$2,630,243</u>
LIABILITIES:		
Accounts payable and accrued expenses	\$ 120,346	\$ 117,143
Deferred revenue	500	10,272
Bank line of credit	<u>232,117</u>	<u>-</u>
Total liabilities	352,963	127,415
NET ASSETS:		
Without donor restrictions	1,969,735	2,019,072
With donor restrictions -		
Restricted by time or purpose	311,467	350,052
Perpetual in nature	<u>133,704</u>	<u>133,704</u>
Total with donor restrictions	<u>445,171</u>	<u>483,756</u>
Total net assets	<u>2,414,906</u>	<u>2,502,828</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$2,767,869</u>	<u>\$2,630,243</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF ACTIVITIES

	Year Ended June 30	
	2019	2018
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenue -		
Contributions	\$1,156,990	\$ 1,125,239
Program service fees	676,070	617,713
Local government grants	8,000	8,000
Investment return	<u>1,473</u>	<u>(82)</u>
Total revenue without donor restrictions	1,842,533	1,750,870
Net assets released from restrictions -		
United Way and WHAS Crusade for Children funding for the period	259,945	228,962
Satisfaction of other program and time restrictions	<u>317,394</u>	<u>200,000</u>
Total net assets released from restrictions	<u>577,339</u>	<u>428,962</u>
Total revenue and other support without donor restrictions	<u>2,419,872</u>	<u>2,179,832</u>
Expenses -		
Preschool services programs	1,906,653	1,859,310
Management and general	365,512	320,443
Fund raising	<u>197,044</u>	<u>192,667</u>
Total expenses	<u>2,469,209</u>	<u>2,372,420</u>
Change in net assets without donor restrictions	<u>(49,337)</u>	<u>(192,588)</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS:		
United Way funding for the next year	59,054	103,490
WHAS Crusade for Children funding	160,746	133,250
Other contributions	318,954	302,782
Net assets released from restrictions	<u>(577,339)</u>	<u>(428,962)</u>
Change in net assets with donor restrictions	<u>(38,585)</u>	<u>110,560</u>
Total change in net assets	(87,922)	(82,028)
Net assets, beginning of year	<u>2,502,828</u>	<u>2,584,856</u>
NET ASSETS, END OF YEAR	<u>\$2,414,906</u>	<u>\$2,502,828</u>

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2019			Year Ended June 30, 2018				
	Preschool Services Programs	Management and General	Fund Raising	Total	Preschool Services Programs	Management and General	Fund Raising	Total
Salaries and wages	\$ 1,137,233	\$ 239,718	\$ 83,871	\$ 1,460,822	\$ 1,084,129	\$ 200,844	\$ 72,354	\$ 1,357,327
Payroll taxes	82,857	17,026	5,868	105,751	76,781	14,891	4,703	96,375
Employee benefits	146,547	11,647	7,456	165,650	138,662	14,942	7,576	161,180
Supplies	8,865	1,155	-	10,020	9,760	1,032	-	10,792
Telephone	18,615	5,575	-	24,190	22,285	1,873	-	24,158
Postage and handling	4,272	288	5,386	9,946	4,312	191	4,659	9,162
Printing and publishing	10,111	132	-	10,243	17,637	518	-	18,155
Travel	113,468	1,895	726	116,089	120,602	2,882	235	123,719
Conferences, conventions and meetings	19,629	2,201	275	22,105	11,512	2,880	590	14,982
Professional fees	-	22,614	-	22,614	10,875	18,025	-	28,900
Dues and memberships	8,976	2,252	-	11,228	3,898	2,682	-	6,580
Special programs	76,692	-	-	76,692	89,824	-	-	89,824
Insurance	29,624	8,414	-	38,038	22,171	5,776	-	27,947
Information technology	24,319	3,938	-	28,257	20,510	4,125	-	24,635
Interest expense	-	10,770	-	10,770	-	-	-	-
Repairs and maintenance	28,670	1,535	-	30,205	23,269	1,398	-	24,667
Other occupancy costs	74,966	11,341	-	86,307	72,143	10,835	-	82,978
Golf tournaments and other fund raisers	-	-	85,106	85,106	-	-	89,396	89,396
Video production	5,603	-	-	5,603	3,215	-	-	3,215
Other expenses	39,351	16,959	8,356	64,666	49,635	28,052	13,154	90,841
Total expenses before depreciation	1,829,798	357,460	197,044	2,384,302	1,781,220	310,946	192,667	2,284,833
Depreciation of building and equipment	76,855	8,052	-	84,907	78,090	9,497	-	87,587
TOTAL EXPENSES	\$ 1,906,653	\$ 365,512	\$ 197,044	\$ 2,469,209	\$ 1,859,310	\$ 320,443	\$ 192,667	\$ 2,372,420

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
STATEMENTS OF CASH FLOWS

	Year Ended June 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (87,922)	\$ (82,028)
Adjustments to reconcile to cash -		
Depreciation	84,907	87,587
Decrease in cash value of life insurance	371	241
(Increase) decrease in:		
Accounts receivable	(32,894)	82,326
Unconditional promises to give	74,306	(92,596)
Prepaid expenses	(3,260)	(937)
Increase (decrease) in:		
Accounts payable and accrued expenses	3,203	18,256
Deferred revenue	(9,772)	10,247
Net cash provided by operating activities	<u>28,939</u>	<u>23,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(295,625)	(42,736)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advances on bank line of credit	<u>232,117</u>	<u>-</u>
Net decrease in cash	(34,569)	(19,640)
Cash, beginning of year	<u>236,761</u>	<u>256,401</u>
CASH, END OF YEAR	<u>\$ 202,192</u>	<u>\$ 236,761</u>
SUPPLEMENTARY DISCLOSURES:		
Interest paid	\$ 9,515	\$ -

See notes to financial statements.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

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. Basis of Presentation and Use of Estimates - 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, and those differences could be material.

Net assets, revenues and 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 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 as those that 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 resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions are recognized when cash, securities or other assets, on unconditional promise to give, or notification of a beneficial interest is 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. Revenues from sources other than contributions are reported as increases in net assets without donor restrictions and expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2019 AND 2018
 (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, 2019 and 2018, management determined that no allowance for doubtful accounts was necessary.

D. Land, Building, Equipment and Depreciation - Land, building and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets ranging from 5 to 40 years.

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, 2018, certain donated legal and marketing services with a fair value totaling \$14,500 were recorded as contributions and corresponding expenses as follows:

	Preschool Services Programs	Management and General
Legal services	\$ 5,250	\$1,750
Marketing services	<u>5,625</u>	<u>1,875</u>
Total professional services	<u>\$10,875</u>	<u>\$3,625</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. VIPS has evaluated all subsequent events through October 22, 2019, the date the financial statements were available to be issued.

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018
(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, 2019 and 2018:

	June 30	
	2019	2018
Within one year	\$ 141,793	\$ 217,688
In one to five years	40,000	40,000
Over five years	<u>40,000</u>	<u>50,000</u>
	221,793	307,688
Less discount to net present value at a rate of 2.5%	<u>(10,291)</u>	<u>(21,880)</u>
	<u>\$ 211,502</u>	<u>\$ 285,808</u>

NOTE 3 - CONDITIONAL GRANTS

VIPS has received grants for future operations that are conditional upon obtaining matching funds. The financial statements at June 30, 2019 include \$175,000 in donor restricted revenue and unconditional promises to give, representing the portion of the grants that had been matched as of June 30, 2019, \$43,750 of which was unpaid. Additional conditional grants awarded subsequent to June 30, 2019, amounted to \$300,000.

NOTE 4 - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following:

	June 30	
	2019	2018
Land	\$ 322,813	\$ 287,000
Building and improvements	2,526,737	2,251,139
Furniture and equipment	434,317	418,346
Improvements in process	-	23,663
Property under contract	<u>-</u>	<u>8,094</u>
	3,283,867	2,988,242
Less accumulated depreciation	<u>1,149,403</u>	<u>1,064,496</u>
	<u>\$2,134,464</u>	<u>\$1,923,746</u>

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018
(CONTINUED)

NOTE 5 - BANK LINES OF CREDIT

VIPS has a \$100,000 unsecured line of credit with the bank. Interest on this line of credit is payable at the bank's prime rate and is renewable annually. There were no amounts borrowed or outstanding on this credit line during the years ended June 30, 2019 or 2018.

During the year ended June 30, 2019, VIPS obtained a second line of credit with the Bank in the amount of \$250,000 to be used to acquire certain real property. This line of credit bears interest at the bank's prime rate plus 0.58%, payable monthly and is collateralized by a mortgage on the property at 1906 Goldsmith Lane. No principal payments are required on this credit line until August 27, 2025. Amounts outstanding on the line of credit were \$232,117 at June 30, 2019.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following:

	June 30	
	2019	2018
Subject to expenditure for a specified purpose -		
Capital improvements and equipment	\$ 59,436	\$ 19,280
Scholarship	<u>10,227</u>	<u>10,032</u>
	<u>69,663</u>	<u>29,312</u>
Subject to the passage of time -		
United Way allocation for the subsequent year	59,054	103,490
Crusade for Children allocation for the subsequent year	26,791	22,500
Other grants for subsequent year operations	76,250	116,630
Promises to give available for use when collected	<u>79,709</u>	<u>78,120</u>
	<u>241,804</u>	<u>320,740</u>
Perpetual funds income to be used for operations	<u>133,704</u>	<u>133,704</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$445,171</u>	<u>\$483,756</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, 2019. Rental expense under these leases was \$44,475 for 2019 and \$43,800 for 2018. Minimum future rental commitments under noncancellable leases with original terms in excess of one year at June 30, 2019, are as follows:

Year ending June 30 –	
2020	\$ 30,000
2021	<u>15,000</u>
	<u>\$ 45,000</u>

VISUALLY IMPAIRED PRESCHOOL SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018
(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 \$38,116 for 2019 and \$42,004 for 2018.

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 \$1,929 at June 30, 2019.

NOTE 10 - LIQUIDITY AND AVAILABILITY

The following reflects VIPS financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted amounts that are available for use within one year for general purposes include the allocation from the Crusade for Children, United Way, Kosair Charities and other grants.

	June 30	
	2019	2018
Total financial assets	\$615,244	\$702,327
Less those unavailable for general expenditures within one year, due to:		
Donor restricted for capital expenditures	(59,436)	(19,280)
Donor restricted for scholarships or special purposes	(10,227)	(16,312)
Donor restricted to maintain in perpetuity	<u>(133,704)</u>	<u>(133,704)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$411,877</u>	<u>\$533,031</u>

In addition, VIPS has lines of credit with a bank with available funds of \$117,883 at June 30, 2019 and \$100,000 at June 30, 2018.