

**LIGHTHOUSE FOR THE BLIND
AND VISUALLY IMPAIRED**

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

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Board of Directors
LightHouse for the Blind and Visually Impaired
San Francisco, California

JAMES M. KRAFT
S. SCOTT SEAMANDS
MARK O. BRITTAIN
ALEXIS H. WONG
CHARLOTTE SIEW-KUN TAY
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RITA B. DELA CRUZ

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial position of LightHouse for the Blind and Visually Impaired, a California nonprofit public benefit corporation, as of September 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of LightHouse for the Blind and Visually Impaired'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of LightHouse for the Blind and Visually Impaired's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 LightHouse for the Blind and Visually Impaired as of September 30, 2006 and 2005, and the changes in its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

December 8, 2006

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash	\$ 1,774,586	\$ 1,454,303
Receivables:		
LightHouse Enterprises	202,689	361,774
Fees for service	203,180	255,218
Contributions and bequests	359,407	384,379
Other	10,929	36,340
Inventories	212,437	260,923
Prepaid expenses and deposits	539,786	310,930
Investments (Note 3)	31,597,102	27,691,654
Property and equipment – net (Note 4)	2,425,614	2,392,876
	<u>\$ 37,325,730</u>	<u>\$ 33,148,397</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 368,284	\$ 353,610
Note payable (Note 5)	671,746	800,000
	<u>1,040,030</u>	<u>1,153,610</u>
Net assets:		
Unrestricted:		
Designated by the board of directors for operations	25,306,962	20,975,711
Designated by the board of directors for capital assets and acquisitions	9,944,851	9,944,851
Total unrestricted net assets	35,251,813	30,920,562
Temporarily restricted (Note 6)	906,179	946,517
Permanently restricted (Note 7)	127,708	127,708
	<u>36,285,700</u>	<u>31,994,787</u>
Total net assets	<u>\$ 36,285,700</u>	<u>\$ 31,994,787</u>
Total liabilities and net assets	<u>\$ 37,325,730</u>	<u>\$ 33,148,397</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Bequests	\$ 2,161,192	\$ -	\$ -	\$ 2,161,192
Other contributions	305,057	201,994	-	507,051
LightHouse Enterprises (Note 1)	2,488,587	-	-	2,488,587
Government grants and other program fees	786,167	-	-	786,167
Interest and dividend income	709,659	-	-	709,659
Other income	23,226	-	-	23,226
Net assets released from restrictions (Note 6)	242,332	(242,332)	-	-
Total support and revenue	<u>6,716,220</u>	<u>(40,338)</u>	-	<u>6,675,882</u>
Expenses:				
Program services:				
Community and Information Services	1,047,195	-	-	1,047,195
Rehabilitation Services	1,322,805	-	-	1,322,805
LightHouse Enterprises	1,927,407	-	-	1,927,407
Supporting services:				
Management and general	532,901	-	-	532,901
Fundraising	379,864	-	-	379,864
Total expenses	<u>5,210,172</u>	<u>-</u>	<u>-</u>	<u>5,210,172</u>
Change in net assets from operations	1,506,048	(40,338)	-	1,465,710
Realized and unrealized gains on marketable securities	2,825,203	-	-	2,825,203
Change in net assets	4,331,251	(40,338)	-	4,290,913
Net assets, beginning of year	<u>30,920,562</u>	<u>946,517</u>	<u>127,708</u>	<u>31,994,787</u>
Net assets, end of year	<u>\$ 35,251,813</u>	<u>\$ 906,179</u>	<u>\$ 127,708</u>	<u>\$36,285,700</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Bequests	\$ 1,520,904	\$ -	\$ -	\$ 1,520,904
Other contributions	338,919	75,475	600	414,994
LightHouse Enterprises (Note 1)	2,240,283	-	-	2,240,283
Government grants and other program fees	735,181	-	-	735,181
Interest and dividend income	537,373	-	-	537,373
Other income	15,565	-	-	15,565
Net assets released from restrictions (Note 6)	268,711	(268,711)	-	-
Total support and revenue	<u>5,656,936</u>	<u>(193,236)</u>	<u>600</u>	<u>5,464,300</u>
Expenses:				
Program services:				
Community and Information Services	980,553	-	-	980,553
Rehabilitation Services	1,250,460	-	-	1,250,460
LightHouse Enterprises	1,747,876	-	-	1,747,876
Supporting services:				
Management and general	457,248	-	-	457,248
Fundraising	376,874	-	-	376,874
Total expenses	<u>4,813,011</u>	<u>-</u>	<u>-</u>	<u>4,813,011</u>
Change in net assets from operations	843,925	(193,236)	600	651,289
Realized and unrealized gains on marketable securities	<u>3,106,373</u>	<u>-</u>	<u>-</u>	<u>3,106,373</u>
Change in net assets	3,950,298	(193,236)	600	3,757,662
Net assets, beginning of year	<u>26,970,264</u>	<u>1,139,753</u>	<u>127,108</u>	<u>28,237,125</u>
Net assets, end of year	<u>\$ 30,920,562</u>	<u>\$ 946,517</u>	<u>\$ 127,708</u>	<u>\$31,994,787</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2006						
	<i>Program Services</i>			<i>Program Services Total</i>	<i>Supporting Services</i>		<i>Total</i>
	<i>Community and Information</i>	<i>Rehabilitation Services</i>	<i>LightHouse Enterprises</i>		<i>Management and General</i>	<i>Fundraising</i>	
Personnel	\$ 515,988	\$ 884,205	\$ 714,002	\$ 2,114,195	\$ 365,642	\$ 268,167	\$ 2,748,004
Occupancy	27,446	57,513	169,855	254,813	13,477	6,445	274,735
Insurance	13,441	17,608	15,196	46,244	11,095	5,306	62,645
Training and conference expense	18,666	37,171	29,459	85,296	5,866	14,468	105,630
Board expense	-	-	-	-	5,991	-	5,991
Office supplies and equipment	11,514	13,616	46,024	71,154	6,754	2,836	80,744
Postage and printing	7,677	7,779	5,549	21,004	5,122	5,526	31,652
Telephone	9,976	9,758	7,760	27,494	2,705	1,294	31,493
Outside services	44,711	22,322	18,867	85,901	62,821	5,827	154,548
Program costs	295,382	197,825	20,444	513,651	8,188	7,664	529,503
Program marketing and public relations	13,628	18,822	25,458	57,908	11,873	46,374	116,155
Special events	16,772	19,760	17,053	53,586	12,452	5,955	71,993
Depreciation and amortization	71,922	36,324	40,448	148,693	20,851	9,972	179,516
Interest	-	-	41,706	41,706	-	-	41,706
Cost of raw materials	-	-	748,156	748,156	-	-	748,156
Shipping and delivery	71	102	27,431	27,605	64	31	27,700
	\$ 1,047,195	\$ 1,322,805	\$ 1,927,407	\$ 4,297,407	\$ 532,901	\$ 379,864	\$ 5,210,172

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2005						
	<i>Program Services</i>			<i>Program Services Total</i>	<i>Supporting Services</i>		<i>Total</i>
	<i>Community and Information</i>	<i>Rehabilitation Services</i>	<i>LightHouse Enterprises</i>		<i>Management and General</i>	<i>Fundraising</i>	
Personnel	\$ 475,581	\$ 854,628	\$ 629,866	\$ 1,960,075	\$ 303,437	\$ 259,768	\$ 2,523,280
Occupancy	20,202	51,980	153,841	226,023	9,766	5,455	241,244
Insurance	12,078	12,259	20,963	45,300	12,863	3,130	61,293
Training and conference expense	11,431	28,548	15,577	55,556	3,746	12,336	71,638
Board expense	-	-	-	-	8,494	-	8,494
Office supplies and equipment	7,495	12,413	47,093	67,001	5,692	2,477	75,170
Postage and printing	5,841	6,238	6,069	18,148	3,906	4,313	26,367
Telephone	10,149	10,465	9,716	30,330	2,230	1,246	33,806
Outside services	10,829	18,775	22,548	52,152	74,489	5,875	132,516
Program costs	331,574	185,688	15,475	532,737	9,915	9,459	552,111
Program marketing and public relations	16,857	19,489	36,431	72,777	1,104	60,622	134,503
Special events	6,179	10,388	11,955	28,522	5,285	3,076	36,883
Depreciation and amortization	72,337	39,589	47,988	159,914	16,321	9,117	185,352
Interest	-	-	-	-	-	-	-
Cost of raw materials	-	-	699,007	699,007	-	-	699,007
Shipping and delivery	-	-	31,347	31,347	-	-	31,347
	\$ 980,553	\$ 1,250,460	\$ 1,747,876	\$ 3,978,889	\$ 457,248	\$ 376,874	\$ 4,813,011

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Change in net assets	\$ 4,290,913	\$ 3,757,662
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	179,516	185,352
Realized and unrealized gain on marketable securities	(2,825,203)	(3,106,373)
Donated property and equipment	-	(17,400)
(Increase) decrease in assets:		
Accounts receivable	261,506	49,759
Inventories	48,486	(16,061)
Prepaid expenses	3,689	(3,527)
Increase in liabilities:		
Accounts payable and accrued expenses	14,674	83,569
Net cash provided by operating activities	<u>1,973,581</u>	<u>932,981</u>
Cash flows from investing activities:		
Net increase in investments	(1,080,245)	(708,371)
Payments of equipment deposits	(232,545)	(232,545)
Purchase of property and equipment	<u>(212,254)</u>	<u>(115,977)</u>
Net cash used in investing activities	<u>(1,525,044)</u>	<u>(1,056,893)</u>
Cash flows from financing activities:		
Proceeds (payments of) from note payable	<u>(128,254)</u>	800,000
Net cash provided by (used in) financing activities	<u>(128,254)</u>	800,000
Increase in cash	320,283	676,088
Cash, beginning of year	<u>1,454,303</u>	<u>778,215</u>
Cash, end of year	<u>\$ 1,774,586</u>	<u>\$ 1,454,303</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

NOTE 1 – ORGANIZATION AND PROGRAM SERVICES

LightHouse for the Blind and Visually Impaired (LightHouse) provides a variety of programs to adults, children and seniors who are blind or visually impaired, at five locations: San Francisco, Marin, Napa, Oakland and Humboldt/Del Norte counties.

Prior to September 23, 2004, the name of the organization was Rose Resnick LightHouse for the Blind and Visually Impaired.

Community and Information Services

- Access to information services connects the individual to the visual world in which he or she lives. This is accomplished through facilitating access to printed information such as newspapers and magazines using recording services, broadcast programming, Braille translation and the Internet.
- Volunteer services recruits personal service volunteers to help blind and low-vision individuals both at home and in the community.
- Enchanted Hills Camp is a 311-acre camp in Napa Valley that provides blind, visually impaired, deaf/blind and multi-disabled children, adults and seniors with a traditional summer camping experience.
- The adult program serves blind and low-vision seniors and working-age adults and is designed to foster intellectual, social and physical well-being through educational and recreational activities.
- Children and youth programs provide weekly activities within settings where vision loss is the norm rather than the exception.

Rehabilitation Services

- Individual counseling and support groups for individuals and families adjusting to vision loss.
- Deaf/blind services provide information and referral, advocacy, education and training for persons with multiple sensory losses.
- Rehabilitation training teaches daily living skills and assists in setting up the home to accommodate a recent loss of vision.
- Orientation and mobility training provides instruction on white-cane travel, the use of low-vision aids, travel training and orientation to neighborhoods, schools, hospitals, and other areas of the community.
- Technology services offers instruction in assistive computer technology through classes, individual instruction, open lab and equipment evaluation.
- The Taxi Voucher Program, coordinated with the San Francisco Department of Public Health, provides taxi rides to medical appointments for low-income disabled San Franciscans.
- Employment services at LightHouse are provided by the Sensory Access Foundation and includes employment preparation, job development and placement.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

LightHouse Enterprises

- LightHouse Industries provides employment opportunities for individuals who are blind or visually impaired through a light manufacturing program making products primarily for the U.S. Government.
- Adaptations, the LightHouse store, sells rehabilitation aids and appliances onsite in San Francisco and San Rafael. Products may also be purchased through mail order.

LightHouse has a diversified funding base made up of return on investments, a variety of government funding sources including grants, contracts, fees for services and sales, private donations and foundation funding. LightHouse is vulnerable to the inherent risks associated with revenue that is substantially dependent on government funding, public support, and contributions. The continued growth and well-being of LightHouse is contingent upon successful achievement of its long-term revenue-raising goals.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method

LightHouse uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

LightHouse reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets includes the portion of net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Currently, LightHouse budgets both investment income generated from investments and bequest income as part of its annual operating revenues. The financial goal of LightHouse is to build a reserve that allows only a percentage of interest income to be used for operations therefore protecting the corpus to insure program stability.

Temporarily Restricted Net Assets

Temporarily restricted net assets includes the portion of net assets whose use by LightHouse is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of LightHouse.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

Permanently Restricted Net Assets

Permanently restricted net assets include the portion of net assets whose use by LightHouse is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of LightHouse.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor's restrictions are satisfied in the same period that the contribution is received, the contribution is reported as unrestricted support.

Government contracts, which are funded on a reimbursement basis, are shown as unrestricted revenue.

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature.

LightHouse is the beneficiary under various wills and trusts, the total realizable amount of which is not presently determinable. Such amounts are recognized as bequest support when the proceeds are measurable and unconditional.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. LightHouse typically maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately \$1,694,000 as of September 30, 2006. LightHouse has not experienced any losses in such accounts. Management believes that it is not exposed to any significant cash credit risk.

Accounts Receivable

Management elects to record bad debts using the direct write off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write off method is not materially different from the result that would be obtained had the allowance method been followed.

Inventories

Inventories are valued at cost on the first-in, first-out (FIFO) basis, or market, whichever is lower. Inventories at September 30, 2006 and 2005 consist of \$107,021 and \$115,814, respectively, of goods held for resale to aid blind and disabled people and \$105,416 and \$145,109, respectively, of materials for use in LightHouse Industries.

Investments

Investments are stated at fair value.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

Property and Equipment

Property and equipment is stated at cost of acquisition or construction, or fair value if donated. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets, or production hours for some equipment used in LightHouse Industries.

The useful lives of the assets are estimated as follows:

Land improvements	10 to 20 years
Buildings and improvements	10 to 40 years
Furniture and equipment	3 to 10 years

Income Taxes

LightHouse is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections. In addition, contributions to LightHouse qualify for the charitable contribution deduction and LightHouse is classified as an organization other than a private foundation under Section 509(a).

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

Reclassification

Certain amounts previously reported in the 2005 financial statements were reclassified to conform to the 2006 presentation for comparative purposes.

NOTE 3 – INVESTMENTS

LightHouse's investment portfolio at September 30, 2006 and 2005 is as follows:

	2006		2005	
	Costs	Market	Cost	Market
Mutual funds	\$ 25,040,375	\$ 31,596,402	\$ 22,520,416	\$ 27,690,954
Other investments	700	700	700	700
Total investments	25,041,075	31,597,102	22,521,116	27,691,654
Money market fund	24,297	24,297	22,592	22,592
	<u>\$ 25,065,372</u>	<u>\$ 31,621,399</u>	<u>\$ 22,543,708</u>	<u>\$ 27,714,246</u>

LightHouse's investment portfolio is invested in mutual funds to achieve an asset allocation strategy approved by the board of directors that is designed to maximize return and minimize risk.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

	2006	2005
Land	\$ 423,390	\$ 423,390
Land improvements	324,208	324,208
Buildings and improvements	2,942,088	2,890,051
Furniture and equipment	1,471,052	1,310,835
	5,160,738	4,948,484
Less: accumulated depreciation and amortization	(2,735,124)	(2,555,608)
	<u>\$ 2,425,614</u>	<u>\$ 2,392,876</u>

Depreciation and amortization expense for the years ended September 30, 2006 and 2005 amounted to \$179,516 and \$185,352, respectively.

NOTE 5 – NOTE PAYABLE

LightHouse has a loan payable in the original amount of \$800,000 from Bank of America which was used to purchase equipment. The loan bears interest at 6.125%. The loan shall be repaid in monthly installments of \$15,513 with the entire balance due in October 2010. The loan is collateralized by a first deed of trust on LightHouse's real property.

Principal payments on note payable for the next five years are as follows:

2007	\$ 149,196
2008	158,595
2009	168,586
2010	179,207
2011	16,162

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are for the following purposes:

	<u>2006</u>			
	<u>September 30,</u> <u>2005</u>	<u>Contributions</u> <u>and Interest</u>	<u>Releases from</u> <u>Restrictions</u>	<u>September 30,</u> <u>2006</u>
Enchanted Hills Camp	\$ 933,747	\$ 35,115	\$ (216,883)	\$ 751,979
Client support services	3,569	-	(354)	3,215
Development	-	-	-	-
Equipment Scholarship Fund	-	2,072	-	2,072
Education and recreation	8,720	14,807	(17,563)	5,964
Rehabilitation services	481	-	(412)	69
Rehabilitation services for seniors	-	150,000	(7,120)	142,880
	<u>\$ 946,517</u>	<u>\$ 201,994</u>	<u>\$ (242,332)</u>	<u>\$ 906,179</u>

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

	2005			
	<i>September 30, 2004</i>	<i>Contributions and Interest</i>	<i>Releases from Restrictions</i>	<i>September 30, 2005</i>
Enchanted Hills Camp	\$ 1,132,383	\$ 56,871	\$ (255,507)	\$ 933,747
Client support services	3,889	-	(320)	3,569
Development	-	45	(45)	-
Equipment Scholarship Fund	-	-	-	-
Education and recreation	3,000	18,559	(12,839)	8,720
Rehabilitation services	481	-	-	481
Rehabilitation services for seniors	-	-	-	-
	<u>\$ 1,139,753</u>	<u>\$ 75,475</u>	<u>\$ (268,711)</u>	<u>\$ 946,517</u>

NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted to investment in perpetuity, the income of which is expendable to support the following program services:

	2006		
	<i>September 30, 2005</i>	<i>Contributions</i>	<i>September 30, 2006</i>
Multi-disabled adult campers	\$ 81,708	\$ -	\$ 81,708
Campers from Alameda County	36,000	-	36,000
Education and recreation related activities	10,000	-	10,000
	<u>\$ 127,708</u>	<u>\$ -</u>	<u>\$ 127,708</u>

	2005		
	<i>September 30, 2004</i>	<i>Contributions</i>	<i>September 30, 2005</i>
Multi-disabled adult campers	\$ 81,108	\$ 600	\$ 81,708
Campers from Alameda County	36,000	-	36,000
Education and recreation related activities	10,000	-	10,000
	<u>\$ 127,108</u>	<u>\$ 600</u>	<u>\$ 127,708</u>

For the years ended September 30, 2006 and 2005, income from permanently restricted net assets totaled \$5,498 and \$4,796, respectively, which was used to support the above program services.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2006 AND 2005

NOTE 8 – OPERATING LEASES

LightHouse leases space and office equipment under certain operating leases. The following represents the future minimum lease payments:

	<u>Year Ending September 30,</u>
2007	\$ 107,203
2008	98,762
2009	<u>48,948</u>
	<u>\$ 254,913</u>

Space rental expense in 2006 and 2005 amounted to \$166,752 and \$149,164 respectively. Office equipment rental expense in 2006 and 2005 amounted to \$13,258 and \$14,142, respectively.

NOTE 9 – PENSION PLAN

LightHouse has a defined contribution pension plan which covers substantially all its staff. LightHouse makes contributions to the plan, which operates on a calendar year, at a rate approved by the board of directors. The board of directors approved a contribution of 5% of eligible salaries for calendar years ended December 31, 2005 and 2004. For the years ended September 30, 2006 and 2005, the cost to LightHouse is estimated to be \$89,000 and \$72,000 respectively.

NOTE 10 – CONCENTRATIONS AND COMMITMENTS

LightHouse has a contract to produce a toilet tissue product in specified quantities for the U.S. Government that will expire in September 2010. For the years ended September 30, 2006 and 2005, sales under the contract were approximately \$2,148,000 and \$1,704,000, respectively, representing approximately 92% and 90%, respectively, of total LightHouse Enterprises sales. In addition, approximately 79% and 90% of LightHouse Enterprises' accounts receivable at September 30, 2006 and 2005, respectively, were also related to this U.S. Government contract.

For the years ended September 30, 2006 and 2005, approximately 79% of total bequests were received from five estates and 90% of total bequests were received from five estates, respectively. Four bequests represent the total bequest and contribution receivable at September 30, 2006. Five bequests represent approximately 93% of total bequest and contribution receivable at September 30, 2005.