LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

Audited Financial Statements

Year Ended September 30, 2009

LIGHTHOUSE FOR THE BLIND
AND VISUALLY IMPAIRED

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

To the Board of Directors
LightHouse for the Blind and Visually Impaired

We have audited the accompanying Statement of Financial Position of LightHouse for the Blind and Visually Impaired (a nonprofit organization) as of September 30, 2009, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated December 24, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit 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 audit provides 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, 2009, and the changes in its net asset and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Good & Fowler LLP

December 11, 2009

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LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
Statement of Financial Position
September 30, 2009
(With Comparative Totals at September 30, 2008)

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	$ 669,021	$ 996,949
Receivables		
LightHouse Enterprises	258,151	211,521
Fees for Service	172,081	156,536
Contributions and Bequests	475,985	153,102
Other	494	2,390
Inventories	235,086	209,460
Prepaid Expense and Deposits	70,579	67,544
Investments	25,757,340	26,073,202
Total Current Assets	27,638,737	27,870,704
NONCURRENT ASSETS		
Receivables		
Bequest	-	359,647
Permanently Restricted Investments	128,733	128,733
Property and Equipment - Net	2,902,100	3,156,657
Total Noncurrent Assets	3,030,833	3,645,037
Total Assets	$ 30,669,570	$ 31,515,741
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 107,734	$ 104,980
Accrued Expenses	423,778	499,425
Note Payable	178,822	168,586
Total Current Liabilities	710,334	772,991
NONCURRENT LIABILITIES		
Note Payable	16,260	195,467
Total Noncurrent Liabilities	16,260	195,467
Total Liabilities	726,594	968,458
NET ASSETS		
Unrestricted		
Designated for Operations	19,593,719	19,971,955
Designated for Capital Assets	9,944,851	9,944,851
Total Unrestricted	29,538,570	29,916,806
Temporarily Restricted	275,673	501,744
Permanently Restricted	128,733	128,733
Total Net Assets	29,942,976	30,547,283
Total Liabilities and Net Assets	$ 30,669,570	$ 31,515,741

See Notes to Financial Statements

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
Statement of Activities
Year Ended September 30, 2009
(With Comparative Totals at September 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Total 2008
SUPPORT AND REVENUE					
Bequests	$ 390,002	$	$	$ 390,002	$ 1,435,913
Other Contributions	271,073	60,508		331,581	491,432
LightHouse Enterprises	1,702,688			1,702,688	1,526,433
Government Grants and Program Fees	990,164			990,164	966,075
Interest and Dividend Income	807,592	4,137		811,729	955,270
Other Income	19,731			19,731	18,585
	4,181,250	64,645	-	4,245,895	5,393,708
Net Assets Released from Restrictions					
Satisfaction of Program Restrictions	290,716	(290,716)		-	-
Total Support and Revenue	4,471,966	(226,071)	-	4,245,895	5,393,708
EXPENSES					
Program Services					
Community and Information Services	1,654,697			1,654,697	1,591,417
Rehabilitation Services	1,603,615			1,603,615	1,689,263
LightHouse Enterprises	1,819,761			1,819,761	2,351,413
Total Program Services	5,078,073	-	-	5,078,073	5,632,093
Supporting Services					
Management and General	225,303			225,303	196,238
Fundraising	323,747			323,747	431,218
Total Supporting Services	549,050	-	-	549,050	627,456
Total Expenses	5,627,123	-	-	5,627,123	6,259,549
CHANGE IN NET ASSETS FROM OPERATIONS	(1,155,157)	(226,071)	-	(1,381,228)	(865,841)
OTHER GAINS AND LOSSES					
Realized and Unrealized Gains (Losses) on Marketable Securities	776,921	-	-	776,921	(6,756,638)
Total Other Gains and Losses	776,921	-	-	776,921	(6,756,638)
CHANGE IN NET ASSETS	(378,236)	(226,071)	-	(604,307)	(7,622,479)
NET ASSETS, Beginning of Year	29,916,806	501,744	128,733	30,547,283	38,169,762
NET ASSETS, End of Year	$ 29,538,570	$ 275,673	$ 128,733	$ 29,942,976	$ 30,547,283

See Notes to Financial Statements

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
Statement of Functional Expenses
Year Ended September 30, 2009
(With Comparative Totals at September 30, 2008)

	Program Services				Supporting Services				
	Community and Information	Rehabilitation Services	LightHouse Enterprises	Total	Management and General	Fund Raising	Total	Total 2009	Total 2008
Personnel	$ 1,041,318	$ 1,186,486	$ 730,904	$ 2,958,708	$ 130,970	$ 226,211	$ 357,181	$ 3,315,889	$ 3,677,432
Program Costs	318,691	169,753	67,225	555,669	6,272	11,507	17,779	573,448	588,413
Cost of Raw Materials	-	-	558,674	558,674	-	-	-	558,674	539,773
Occupancy	60,081	80,879	176,688	317,648	13,417	6,622	20,039	337,687	416,211
Depreciation	87,277	39,444	126,114	252,835	18,201	8,984	27,185	280,020	216,757
Outside Services	48,874	35,143	26,982	110,999	20,796	14,422	35,218	146,217	201,153
Postage and Printing	23,456	15,557	12,734	51,747	9,075	33,173	42,248	93,995	32,141
Office Supplies and Equipment	20,288	16,105	40,681	77,074	6,080	3,284	9,364	86,438	102,357
Training and Conferences	15,825	28,434	12,347	56,606	3,281	8,751	12,032	68,638	113,383
Insurance	18,645	14,071	11,519	44,235	8,891	4,388	13,279	57,514	67,240
Telephone	13,223	12,080	10,794	36,097	2,590	1,278	3,868	39,965	39,903
Bank Fees, Interest and Taxes	2,574	2,058	22,391	27,023	1,300	2,046	3,346	30,369	43,094
Shipping and Delivery	-	-	19,657	19,657	-	-	-	19,657	23,496
Marketing and Public Relations	4,445	3,605	3,051	11,101	2,278	3,081	5,359	16,460	127,620
Board Expense	-	-	-	-	2,152	-	2,152	2,152	5,905
Special Events	-	-	-	-	-	-	-	-	64,671
Total Expenses	$ 1,654,697	$ 1,603,615	$ 1,819,761	$ 5,078,073	$ 225,303	$ 323,747	$ 549,050	$ 5,627,123	$ 6,259,549

See Notes to Financial Statements

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
Statement of Cash Flows
For the Year Ended September 30, 2009
(With Comparative Totals at September 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (604,307)	$ (7,622,479)
Adjustments to Reconcile Change in Net Assets to		
Net Cash (Used) by Operating Activities		
Depreciation	280,020	216,757
Realized and Unrealized (Gains) Losses on Marketable Securities	(776,921)	6,756,638
Reinvested Dividends	(811,397)	(958,676)
Donated Stocks	-	(1,019)
(Increase) Decrease in Operating Assets		
Receivables	(23,515)	(112,515)
Inventories	(25,626)	(10,329)
Prepaid Expense and Deposits	(3,035)	27,324
Increase (Decrease) in Operating Liabilities		
Accounts Payable	2,754	8,048
Accrued Expenses	(75,647)	187,293
Net Cash (Used) by Operating Activities	(2,037,674)	(1,508,958)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sale of Investments	4,903,686	2,401,078
Purchase of Investments	(2,999,510)	-
Purchase of Property and Equipment	(25,459)	(81,521)
Net Cash Provided by Investing Activities	1,878,717	2,319,557
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Paid on Note Payable	(168,971)	(158,546)
Net Cash (Used) by Financing Activities	(168,971)	(158,546)
NET INCREASE (DECREASE) IN CASH	(327,928)	652,053
CASH, Beginning of Year	996,949	344,896
CASH, End of Year	$ 669,021	$ 996,949
SUPPLEMENTAL DISCLOSURES		
Operating Activities include interest paid of:	$ 19,398	$ 27,610

See Notes to Financial Statements

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.

Community and Information Services

- Enchanted Hills Camp, on 311 acres in Napa, provides blind, visually impaired, deaf/blind and multi-disabled children, adults and seniors with a fully accessible traditional summer camping experience.
- Adult education and recreation program serves blind and low-vision seniors and working-age adults through a variety of health-oriented and educational classes, including yoga, martial arts, gardening and arts. This program also provides socialization opportunities and works in partnership with Project Open Hand to offer nutritious meals on-site twice per week. Classes are offered during weekdays, evenings and Saturdays.
- Youth recreation program provides accessible after-school, summer and Saturday activities for youth who are blind or visually impaired. Activities include rock climbing, trips to Yosemite and outings to area parks and attractions.
- The Work-Adjustment Trainee (WAT) program offers paid work opportunities for "transition-age" (16 – 24 years-old) blind and visually impaired youth at the LightHouse in various positions, including retail sales, reception, fundraising and business development. This program is provided in partnership with the California Department of Rehabilitation.
- Alternative formats production services connect individuals to the visual world of print by converting information to Braille, large print, audio and electronic formats. We assist people in creating accessible versions of everything from plain text in a printed document to charts, graphs, maps and business cards. Additionally, we can audit a company or personal website for "screen reader friendly" formatting to ensure that potential clients or customers who are blind or visually impaired can review the information posted.
- The LightHouse offers an accessible web-site providing detailed resources and information about services, events and other items of potential interest to the blind and visually impaired community.

1. Organization and Program Services (continued)

Community and Information Services (continued)

- The LightHouse's Vision Loss Resource Center provides high quality information and referral services to individuals throughout California on blindness and visual impairment. Core components include a toll-free number, a walk-in resource desk and a materials resource center.
- Quarterly technology seminars offer information and tips on using adaptive technology; seminars can be attended on-site, via conference call or via a live web stream.
- Volunteer services recruit, train and assign "personal service volunteers" to individuals who may need some general assistance with daily activities (such as reading mail or other important information, devising home organizational systems to make items in the home easier to find). Personal services volunteers are often assigned to seniors who are new to vision loss and lack other systems of support.
- The LightHouse also serves as a resource on matters related to public policy, advocates for the inclusion full community participation of people who are blind and visually impaired. Key advocacy priorities include employment and transportation access.

Vision Rehabilitation Services

- Vision Rehabilitation refers to learning the skills necessary to live independently with vision loss. Rehabilitation can range from learning how to make the home environment safe to implementing strategies for reading personal mail or prescription labels. We offer tailored, one-on-one and classroom-based education and training to support an individual's vision rehabilitation needs, including Braille instruction, cooking and kitchen safety and daily living skills.
- Living With Vision Loss (LVL) classes that offer adjustment to vision loss strategies in a supportive small-group setting; LVL classes are often the first step someone new to vision loss may take in accessing LightHouse services
- Orientation and mobility (O&M) training, offering strategies for safe home and community navigation; O&M training may include training on the use of white canes.
- Individual counseling and support groups for individuals and families adjusting to vision loss.

1. Organization and Program Services (continued)

Vision Rehabilitation Services (continued)

- Low Vision Clinic that offers extensive evaluation and follow-up assessments for individuals whose optometrists can no longer provide solutions to address their vision loss.
- Technology training offers instruction in assistive computer technology through classes, individual instruction, open lab and equipment evaluation.
- Deaf/blind, providing information and referral, advocacy, education and training for persons with dual sensory loss.
- 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.

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. Products may also be purchased through mail order or on-line.
- Digital Data Scan, the agency's electronic document conversion enterprise, provides employment opportunities for individuals who are blind or visually impaired, by offering data conversion solutions to businesses and governmental entities at a competitive price.

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.

2. Summary of Significant Accounting Policies

Basis of Presentation – LightHouse is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with maturities of three months or less at the time of acquisition.

Receivables – Accounts Receivable is recorded net of an allowance for expected losses. The allowance is recorded based on estimates on the expected collectability of the amounts.

Inventories – Inventories are stated at the lower of cost or market determined by the first-in, first-out method.

Investments – Investments are recorded at fair market value.

Property and Equipment – LightHouse capitalizes all expenditures for property and equipment in excess of $1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the shorter of the useful lives or the lease term.

Restricted and Unrestricted Revenue – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when the stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

2. Summary of Significant Accounting Policies (continued)

Donated Services – No amounts have been reflected in the financial statements for donated services. The LightHouse generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the LightHouse with specific assistance programs, campaign solicitations, and various committee assignments.

Expense Allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – LightHouse is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. In addition, the LightHouse has been classified as a public charity under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code.

Estimates – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Presentation of Sales Taxes – The State of California imposes a sales tax on all sales to nonexempt customers. The LightHouse collects that sales tax from customers and remits the entire amount to the State. LightHouse's accounting policy is to include the tax collected and remitted to the State in payables.

Reclassifications – Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Comparative Financial Information – The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the LightHouse's financial statements for the year ended September 30, 2008, from which the summarized information was derived.

3. Concentrations and Commitments

LightHouse maintains its cash balances at several financial institutions located in the San Francisco Bay Area. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 or by the Securities Investor Protection Corporation (SIPC) up to $500,000. Moreover, LightHouse's principal banks, Wells Fargo and Bank of America, take part in the FDIC's Transaction Account Guarantee Program, which provides unlimited deposit insurance coverage for non-interest bearing accounts until December 31, 2009. Because of this program, LightHouse had no uninsured cash balances at September 30, 2009.

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 year ended September 30, 2009, net sales under the contract were $1,423,024, representing 84% of total LightHouse Enterprises sales. In addition, at September 30, 2009, 96% of LightHouse Enterprises accounts receivable were due from the U.S. Government.

4. Inventories

Materials for use in LightHouse Industries	$ 139,185
Goods held for resale	95,901
Total	$ 235,086

5. Investments

Mutual Funds – Equity Funds	$ 19,063,983
Mutual Funds – Bond Funds	6,419,210
PRISA Fund	402,180
Other Investments	700
Total	$ 25,886,073

5. Investments (continued)

Investments are recorded in the Statement of Financial Position as follows:

Unrestricted Investments	$ 25,757,340
Permanently Restricted Investments	128,733
Total	$ 25,886,073

Return on investments for the year ended September 30, 2009 was as follows:

Interest and Dividend Income	$ 811,729
Realized (Losses)	(193,844)
Unrealized Gains	970,765
Investment Advisor Fees	(22,811)
Total	$ 1,565,839

6. Property and Equipment

Land	$ 423,390
Land Improvements	331,344
Buildings and Improvements	3,067,907
Furniture and Equipment	2,559,568
	6,382,209
Less: Accumulated Depreciation	(3,480,109)
Property and Equipment – Net	$ 2,902,100

7. Note Payable

Bank of America, secured by deed of trust, monthly payments of $15,513 including interest at 6.125%, due October 2010.	$ 195,082

Maturities are as follows:

Year Ended September 30,	
2010	$ 178,822
2011	16,260
Total	$ 195,082

8. Temporarily Restricted Net Assets

Enchanted Hills Camp	$ 255,494
Client Support Services	7,224
Education and Recreation	6,865
Marin General	5,000
North Coast General	1,090
Total	$ 275,673

9. Permanently Restricted Net Assets

Multi-disabled Adult Campers	$ 82,733
Campers from Alameda County	36,000
Education and Recreation Related Activities	10,000
Total	$ 128,733

For the year ended September 30, 2009, income from permanently restricted net assets totaled $4,137, which was used to support the above program services.

9. Permanently Restricted Net Assets (continued)

As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. LightHouse classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining porting of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure. The decision on whether to appropriate endowment funds is based on the purpose of the donor-restricted endowment funds, the expected total return, over the long run, from income and the appreciation of investments, and the current-year cash needs of the LightHouse. LightHouse is working on updating their investment policies to conform with the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) and FASB Staff Position (FSP), FAS 117-1, "Endowments of Not-for-Profit LightHouses: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds."

10. Operating Leases

LightHouse leases space and office equipment under certain operating leases through June 2014. For the year ended September 30, 2009, space rental expense was $215,472 and office equipment rental expense was $13,388. Future minimum lease payments are as follows:

Year Ended September 30,	
2010	$ 124,366
2011	116,583
2012	61,612
2013	5,368
2014	3,927
Total	$ 311,856

11. Pension Plan

LightHouse has a defined contribution plan which covers substantially all of its staff. LightHouse makes contributions to the plan, which operates on a calendar year, at a rate approved by the Board of Directors. For the year ended September 30, 2009, the board approved a contribution of 6% of eligible salaries which totaled $130,586.

12. Subsequent Events

Management has evaluated subsequent events through December 11, 2009, the date which the financial statements were available to be issued, and determined no reportable events occurred.