

V.I.P. TOTS
(A Nonprofit Corporation)
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2012



Prudhomme Associates CPAs

A Professional Corporation

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Temecula, CA 92590

Member: AICPA, CSCPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
V.I.P. TOTS
Hemet, California

We have audited the accompanying statement of financial position of V.I.P. TOTS (a nonprofit corporation) as of June 30, 2012 and the related statement of activities, statement of functional expenses and of 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.

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 V.I.P.TOTS as of June 30, 2012 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained in Schedules of Activities – First Five Grants is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.


Temecula, California
November 16, 2012

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

ASSETS

CURRENT ASSETS:

Cash and equivalents	\$ 272,530
Accounts receivable	195,517
Grants receivable	39,557
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TOTAL CURRENT ASSETS 507,604

PROPERTY AND EQUIPMENT:

Computer equipment	19,923
Furniture and equipment	227,519
Leasehold improvements	202,302
Signs	857
Landscaping	24,193
Buildings	288,799
Land	39,479
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803,072
Less: Accumulated depreciation (559,350)

NET PROPERTY AND EQUIPMENT 243,722

TOTAL ASSETS \$ 751,326

See notes to financial statements.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 12,064
Accrued liabilities	64,380
Accrued compensated absences	<u>61,463</u>

TOTAL LIABILITIES 137,907

NET ASSETS

Unrestricted	550,919
Temporarily restricted by donors	<u>62,500</u>

TOTAL NET ASSETS 613,419

TOTAL LIABILITIES AND NET ASSETS \$ 751,326

See notes to financial statements.

V.I.P. TOTS
A NON-PROFIT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

UNRESTRICTED NET ASSETS

SUPPORT AND REVENUES:

SELPA	\$ 300,585
Inland Regional Center/Home Program	652,096
Childcare tuition	252,822
Grant income - First Five	395,566
Inland Regional Center - Tots with Tutors	215,057
Valley Health Systems	114,159
Small grants	11,000
Fundraising Income	40,483
Other income	27,327
Interest income	131
Net assets restricted by donors	<u>(62,500)</u>
 TOTAL SUPPORT AND REVENUES	 <u>1,946,726</u>

COSTS AND EXPENSES:

Program services:	
SELPA	323,506
Inland Regional Center/Home Program	557,975
Training and Childcare	760,018
Tots with tutors	<u>188,153</u>
 TOTAL PROGRAM SERVICES	 <u>1,829,652</u>

Support services:

General and administrative	231,732
Fundraising	<u>9,347</u>
 TOTAL SUPPORT SERVICES	 <u>241,079</u>

TOTAL EXPENSES	<u>2,070,731</u>
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DECREASE IN UNRESTRICTED NET ASSETS	<u>(124,005)</u>
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TEMPORARILY RESTRICTED NET ASSETS

NET ASSETS RESTRICTED BY DONORS	<u>62,500</u>
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TOTAL NET DECREASE IN NET ASSETS	(61,505)
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NET ASSETS, JUNE 30, 2011	<u>674,924</u>
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NET ASSETS, JUNE 30, 2012	<u><u>\$ 613,419</u></u>
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See notes to financial statements.

V.I.P. TOTS
A NON-PROFIT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	PROGRAM SERVICES					SUPPORT SERVICES			TOTAL
	SELPA	INLAND REGIONAL CENTER	TRAINING AND CHILDCARE	TOTS WITH TUTORS	TOTAL	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL	
Salaries and wages	\$ 188,426	\$ 395,649	\$ 493,750	\$ 120,772	\$1,198,597	\$ 176,623	\$ -	\$ 176,623	\$ 1,375,220
Payroll taxes	16,856	38,919	49,004	12,436	117,215	16,042	-	16,042	133,257
Employment costs	14,491	44,648	50,315	13,139	122,593	6,592	-	6,592	129,185
Worker's compensation insurance	6,800	9,600	17,839	4,300	38,539	4,550	-	4,550	43,089
Accounting and legal fees	2,997	3,582	10,415	1,501	18,495	5,001	20	5,021	23,516
Advertising and promotion	538	1,092	1,481	864	3,975	92	2,797	2,889	6,864
Bad debt	-	-	1,218	-	1,218	-	-	-	1,218
Bank charges	16	35	204	14	269	14	10	24	293
Depreciation	3,333	2,857	18,333	1,668	26,191	3,571	-	3,571	29,762
Dues and subscriptions	203	435	688	165	1,491	299	-	299	1,790
Fundraising events	-	-	-	-	-	-	3,835	3,835	3,835
Insurance expense	1,576	3,338	4,598	1,317	10,829	1,297	-	1,297	12,126
Outside services	4,934	8,246	13,244	3,666	30,090	4,171	100	4,271	34,361
Postage	112	239	307	95	753	99	44	143	896
Professional fees	60,823	101	-	17,413	78,337	-	-	-	78,337
Rent	11,631	8,546	41,454	4,093	65,724	5,220	-	5,220	70,944
Repairs and maintenance	932	1,056	3,992	556	6,536	654	-	654	7,190
Supplies and equipment	5,317	5,362	27,382	2,465	40,526	2,216	2,351	4,567	45,093
Telephone and utilities	4,413	11,073	24,883	3,361	43,730	3,486	-	3,486	47,216
Travel	108	23,197	911	328	24,544	1,805	190	1,995	26,539
TOTAL EXPENSES	\$ 323,506	\$ 557,975	\$ 760,018	\$ 188,153	\$1,829,652	\$ 231,732	\$ 9,347	\$ 241,079	\$ 2,070,731

See notes to financial statements.

V.I.P. TOTS
 STATEMENTS OF CASH FLOWS
 A NON-PROFIT CORPORATION
YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in Net Assets	\$ (61,505)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	29,762
Decrease in Accounts receivable	(12,150)
Decrease in Grants receivable	(5,415)
Decrease in Accounts payable	(20,351)
Decrease in Accrued liabilities	<u>(34,149)</u>
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	<u>(103,808)</u>
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(103,808)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>376,338</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u><u>\$ 272,530</u></u>
 <u>SUPPLEMENTAL INFORMATION OF CASH FLOW INFORMATION:</u>	
CASH PAID FOR INCOME TAXES	<u>\$ -</u>
CASH PAID FOR INTEREST	<u><u>\$ -</u></u>

See notes to financial statements.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business

V.I.P. TOTS was organized in 1979 as a non-profit organization for the purpose of providing early intervention services for children with disabilities and training to staff, parents, and the community. The organization provides these services to children from birth to age six. The organization has also expanded to include providing childcare services to children from 18 months to kindergarten age.

V.I.P. TOTS is licensed by the State of California Community Care Licensing to provide childcare services. The organization is also certified by the State of California Department of Education as a non-public school. V.I.P. TOTS is a vendor agency with Inland Regional Center to provide services to children from birth to three years with disabilities.

Recognition of Revenues

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they relate to activities or events, which have not yet occurred. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose is accomplished, temporarily restricted net assets are reclassified or transferred to unrestricted net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses amount to \$ 6,864 during the fiscal year ended June 30, 2012.

Subsequent Events

The Organization has evaluated subsequent events through November 16, 2012, the date which the financial statements were available to be issued.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

From time to time total cash and cash equivalents deposited with third party financial institutions by the Organization may exceed amounts not covered by the Federal Depository Insurance Corporation (FDIC). It is the opinion of management that the solvency of these financial institutions is not of particular concern at this time. At June 30, 2012, all non-interest bearing transaction accounts were fully insured. This is temporary coverage expiring December 31, 2012. This temporary coverage is in addition to, and separate from, the coverage of at least \$250,000 under the FDIC's general deposit insurance rules.

Building, Equipment, and Leasehold Improvements

Buildings, Equipment, and Leasehold Improvements are capitalized at cost. It is the policy of the Organization to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Buildings, Equipment, and Leasehold Improvements are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	35 years
Leasehold Improvements	5 to 35 years
Landscaping	10 years
Signage	8 years
Furniture & Equipment	3-7 years

Depreciation expense for the year ending June 30, 2012 was \$29,762.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; therefore, the Organization has made no provision for income taxes in the accompanying financial statements. The Organization earned no unrelated business taxable income during the year ended June 30, 2012.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the fiscal years ending 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on specific identification.

Concentrations

The Organization derives significant revenues from contracts with and grants from the County of Riverside, California for childcare and educational services. Loss of some or all of these contracts could have a significant detrimental effect on the Organization's operations. The Organization is expecting a decrease in revenue during the 2012/2013 school year due to the discontinuance of the SELPA funding.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable represent amounts receivable for childcare and early intervention services. Funding is derived from contracts with Riverside County SELPA, Inland Regional Center and directly from parents. Management deems receivables to be fully collectible at June 30, 2012. If management determines an account receivable is uncollectible, the receivable is charged to bad debt expense. The Organization recognized bad debt expense of \$1,218 for the year ended June 30, 2012.

NOTE 3 – 401(k) PLAN

The Organization sponsors a 401(k) defined contribution plan. Employees meeting specified age and service requirements are eligible to participate in the plan. The Organization made no contributions to the plan during the fiscal year ended June 30, 2012.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 4 – TEMPORARILY RESTRICTED ASSETS

Temporarily restricted assets consist of small grants awarded to the Organization to be used for various purposes. Reconciliation of temporarily restricted net assets as of June 30, 2012 is as follows:

	<u>Small Grants</u>
Temporarily restricted net assets at July 1, 2011	\$ -
Received during fiscal year ended June 30, 2012	125,159
Expended as of June 30, 2012	(63,154)
Temporarily restricted net assets at June 30, 2012	\$ 62,005

NOTE 5 – COMMITMENTS

The Organization leases two copy machines and space for two facilities. The first facility's lease expires December 2013 with the option to renew for three years. The lease payment is \$2,027 per month. The second facility's lease expires December 31, 2018. The lease payment is currently \$1,550 with an option to increase in future years. During the fiscal year, the lessor gave the Organization a \$500 credit for six months totaling \$3,000. This amount is included in both other income and expenses on the statement of activities. Future minimum lease payments at June 30, 2012 are as follows:

2013	49,424
2014	34,012
2015	18,600
2016	18,600
Thereafter	20,150
Total	\$ 140,786

Rent expense for the year ending June 30, 2012 was \$70,944.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 5 – COMMITMENTS (Continued)

The Organization also has two leases for administrative facilities both with month to month leases, one for \$750 per month and the other for \$950 per month. The Organization discontinued their leases for the administrative facilities in July 2012. During the fiscal year ended June 30, 2012, the Organization received non-cash contributions for the use of a portion of these administrative facilities in the amount of \$8,250. This amount is included in both other income and expenses on the statement of activities.

NOTE 6 – SPECIAL EVENTS

The Organization has various fundraising events. The revenue and related expenses from such events for the year ended June 30, 2012 were as follows:

<u>Event</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Duck Race	32,752	3,835	28,917
Trike-A-Thon	<u>4,120</u>	<u>-</u>	<u>4,120</u>
Total	<u>\$ 36,872</u>	<u>\$ 3,835</u>	<u>\$ 33,037</u>

SUPPLEMENTAL INFORMATION

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
SCHEDULES OF ACTIVITIES - FIRST FIVE GRANT
YEAR ENDED JUNE 30, 2012

	CHILDCARE <u>#1204 OP-12</u>
REVENUES	
Grant Income	\$ 395,566
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COSTS AND EXPENSES:	
Personnel	237,678
Benefits	56,563
Operations	65,364
Overhead	35,961
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TOTAL COSTS AND EXPENSES	395,566
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OTHER INCOME (EXPENSES):	
Other Program Funds	1,877
Personnel	(1,673)
Operations	(204)
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TOTAL OTHER INCOME (EXPENSES)	-
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TOTAL INCREASE IN NET ASSETS	-
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NET ASSETS, JUNE 30, 2011	-
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NET ASSETS, JUNE 30, 2012	\$ -
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