



# Prudhomme Associates CPAs

A Professional Corporation

43460 Ridge Park Drive, Suite 220  
Temecula, CA 92590

Member: AICPA, CSCP

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of V.I.P. TOTS (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2014, and the related statement of activities, statement of functional expenses and cash flows for the year 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 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 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 V.I.P. TOTS as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of activities - First Five Grant - Special Needs and the schedule of activities - First Five Grant - A&Q are presented for purposes of additional analysis and are 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  
October 29, 2014

V.I.P. TOTS  
(A NON-PROFIT CORPORATION)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 190,741
Investments	36,453
Accounts receivable	110,454
Grants receivable	33,734
Prepaid expenses	14,701

TOTAL CURRENT ASSETS 386,083

PROPERTY AND EQUIPMENT:

Computer equipment	18,623
Furniture and equipment	228,643
Leasehold improvements	211,489
Signs	857
Landscaping	24,193
Buildings	288,799
Land	39,479

812,083  
Less: Accumulated depreciation (601,238)

NET PROPERTY AND EQUIPMENT 210,845

TOTAL ASSETS \$ 596,928

See notes to financial statements.

V.I.P. TOTS  
(A NON-PROFIT CORPORATION)  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2014

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	20,127
Accrued liabilities		69,107
Accrued compensated absences		<u>50,260</u>

TOTAL LIABILITIES 139,494

NET ASSETS

Unrestricted		449,906
Temporarily restricted by donors		<u>7,528</u>

TOTAL NET ASSETS 457,434

TOTAL LIABILITIES AND NET ASSETS \$ 596,928

See notes to financial statements.

V.I.P. TOTS  
A NON-PROFIT CORPORATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2014

<u>UNRESTRICTED NET ASSETS</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUES:			
Inland Regional Center/Home Program	\$ 563,567	\$ -	\$ 563,567
Childcare tuition	264,763	-	264,763
Grant income - First Five Special Needs	222,885	-	222,885
Grant income - First Five A&Q	322,343	-	322,343
Inland Regional Center - Tots with Tutors	288,981	-	288,981
Small grants	-	10,000	10,000
Fundraising Income	42,157	-	42,157
Other income	21,773	-	21,773
Unrealized gain on investments	1,284	-	1,284
Interest income	927	-	927
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUES	1,728,680	10,000	1,738,680
COSTS AND EXPENSES:			
Program services:			
Inland Regional Center/Home Program	491,422	-	491,422
Training and Childcare	853,317	13,186	866,503
Tots with tutors	231,187	-	231,187
	<hr/>	<hr/>	<hr/>
TOTAL PROGRAM SERVICES	1,575,926	13,186	1,589,112
Support services:			
General and administrative	248,464	-	248,464
Fundraising	9,952	-	9,952
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT SERVICES	258,416	-	258,416
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	1,834,342	13,186	1,847,528
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NET DECREASE IN NET ASSETS	(105,662)	(3,186)	(108,848)
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NET ASSETS, JUNE 30, 2013	555,568	10,714	566,282
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NET ASSETS, JUNE 30, 2014	\$ 449,906	\$ 7,528	457,434
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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, 2014

	PROGRAM SERVICES				SUPPORT SERVICES				TOTAL
	INLAND REGIONAL CENTER	TRAINING AND CHILDCARE	TOTS WITH TUTORS	TOTAL	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL	TOTAL	
Salaries and wages	\$ 330,621	\$ 579,181	\$ 143,401	\$ 1,053,203	\$ 185,806	\$ -	\$ 185,806	\$ 1,239,009	
Payroll taxes	35,555	58,677	14,191	108,423	17,762	-	17,762	126,185	
Employment costs	14,206	20,664	10,869	45,739	12,073	-	12,073	57,812	
Worker's compensation insurance	25,082	35,964	6,409	67,455	8,995	-	8,995	76,450	
Accounting and legal fees	10,841	3,845	3,539	18,225	840	-	840	19,065	
Advertising and promotion	19	2,417	8	2,444	33	216	249	2,693	
Bank charges	42	72	8	122	8	-	8	130	
Depreciation	2,508	16,929	1,482	20,919	3,514	-	3,514	24,433	
Dues and subscriptions	113	636	13	762	827	-	827	1,589	
Fundraising events	-	-	-	-	-	2,894	2,894	2,894	
Insurance expense	4,589	7,112	1,273	12,974	1,808	-	1,808	14,782	
Outside services	11,361	17,824	3,167	32,352	5,198	-	5,198	37,550	
Postage	270	336	70	676	121	30	151	827	
Professional fees	-	2,385	33,538	35,923	-	-	-	35,923	
Rent	8,943	40,256	2,752	51,951	3,922	-	3,922	55,873	
Repairs and maintenance	1,103	5,115	575	6,793	401	-	401	7,194	
Supplies and equipment	10,429	41,851	3,631	55,911	1,747	6,812	8,559	64,470	
Telephone and utilities	10,372	28,997	2,463	41,832	2,044	-	2,044	43,876	
Travel	25,368	4,242	3,798	33,408	3,365	-	3,365	36,773	
<b>TOTAL EXPENSES</b>	<b>\$ 491,422</b>	<b>\$ 866,503</b>	<b>\$ 231,187</b>	<b>\$ 1,589,112</b>	<b>\$ 248,464</b>	<b>\$ 9,952</b>	<b>\$ 258,416</b>	<b>\$ 1,847,528</b>	

V.I.P. TOTS  
 STATEMENTS OF CASH FLOWS  
 A NON-PROFIT CORPORATION  
YEAR ENDED JUNE 30, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in Net Assets	\$ (108,848)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	24,433
Decrease in Accounts receivable	20,890
Decrease in Grants receivable	5,823
Increase in Prepaid expenses	(14,701)
Decrease in Accounts payable	4,807
Decrease in Accrued liabilities	(22,195)
Decrease in Compensated absences	(2,212)
	(92,003)

NET CASH FLOWS PROVIDED BY  
OPERATING ACTIVITIES

(92,003)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of mutual funds	(36,453)
	(36,453)

NET CASH FLOWS PROVIDED BY  
INVESTING ACTIVITIES

(36,453)

INCREASE (DECREASE) IN CASH  
AND CASH EQUIVALENTS

(128,456)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR

319,197

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 190,741

SUPPLEMENTAL INFORMATION OF CASH FLOW INFORMATION:

CASH PAID FOR INCOME TAXES	\$ -
CASH PAID FOR INTEREST	\$ -

See notes to financial statements.

V.I.P. TOTS  
(A NON-PROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

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. 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 \$ 2,693 during the fiscal year ended June 30, 2014.

Subsequent Events

The Organization has evaluated subsequent events through October 29, 2014, 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, 2014

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.

Marketable Securities

Marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Fair values are provided by the investment account manager. Unrealized gains and losses are included in the statement of activities as increases or decreases to net assets. Dividends and interest earned on investments are recognized in income when declared.

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, 2014 was \$24,433.

V.I.P. TOTS  
(A NON-PROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the fiscal years ending 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

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.

NOTE 2 – INVESTMENTS

All investments are currently held in cash equivalents and mutual funds with Cuso Financial Services, LP. Any unrealized gains and losses are reported currently on the statement of activities. Investments held at June 30, 2014 are summarized as follows:

<u>Security Type</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash equivalents	\$ 5	\$ -
Mutual funds	<u>36,453</u>	<u>1,284</u>
	<u>\$ 36,458</u>	<u>\$ 1,284</u>

The securities are valued at the closing price of the active market in which the security is traded.

V.I.P. TOTS  
(A NON-PROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable represent amounts receivable for childcare and early intervention services. Funding is derived from contracts with Inland Regional Center and directly from parents. Management deems receivables to be fully collectible at June 30, 2014. If management determines an account receivable is uncollectible, the receivable is charged to bad debt expense.

NOTE 4 – 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, 2014.

NOTE 5 – 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, 2014 is as follows:

	<u>Small Grants</u>
Temporarily restricted net assets at July 1, 2013	\$ 10,714
Received during fiscal year ended June 30, 2014	10,000
Expended as of June 30, 2014	<u>(13,186)</u>
Temporarily restricted net assets at June 30, 2014	<u>\$ 7,528</u>

V.I.P. TOTS  
(A NON-PROFIT CORPORATION)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

NOTE 6 – COMMITMENTS

The Organization leases two copy machines and space for two facilities. The first facility's lease expires December 2016 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. This amount is included in expenses on the statement of activities. Future minimum lease payments at June 30, 2014 are as follows:

2015	\$ 47,570
2016	47,570
2017	35,408
Thereafter	<u>20,536</u>
Total	<u><u>\$151,084</u></u>

Rent expense for the year ending June 30, 2014 was \$55,873.

NOTE 7 – SPECIAL EVENTS

The Organization has various fundraising events. The revenue and related expenses from such events for the year ended June 30, 2014 were as follows:

<u>Event</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Duck Race	\$ 25,123	\$ 2,769	\$ 22,354
Trike-A-Thon	<u>2,180</u>	<u>125</u>	<u>2,055</u>
Total	<u><u>\$ 27,303</u></u>	<u><u>\$ 2,894</u></u>	<u><u>\$ 24,409</u></u>

SUPPLEMENTAL INFORMATION

V.I.P. TOTS  
(A NON-PROFIT CORPORATION)  
SCHEDULES OF ACTIVITIES - FIRST FIVE GRANT SPECIAL NEEDS  
YEAR ENDED JUNE 30, 2014

	CHILDCARE <u>#14202 SN</u>
REVENUES	
Grant Income	<u>\$ 222,885</u>
COSTS AND EXPENSES:	
Personnel	135,204
Benefits	26,616
Operations	40,610
Overhead	<u>20,455</u>
TOTAL COSTS AND EXPENSES	<u>222,885</u>
TOTAL INCREASE IN NET ASSETS	-
NET ASSETS, JUNE 30, 2013	<u>-</u>
NET ASSETS, JUNE 30, 2014	<u><u>\$ -</u></u>

V.I.P. TOTS  
 (A NON-PROFIT CORPORATION)  
 SCHEDULES OF ACTIVITIES - FIRST FIVE GRANT A & Q  
YEAR ENDED JUNE 30, 2014

	<u>CHILDCARE</u> <u>#13311 AQ</u>
REVENUES	
Grant Income	\$ 322,159
Additional amount received for grant period ended June 30, 2013	184
TOTAL REVENUES	322,343
COSTS AND EXPENSES:	
Operational expenses	322,159
Additional operational expenses for grant period ended June 30, 2013	184
TOTAL COSTS AND EXPENSES	322,343
TOTAL INCREASE IN NET ASSETS	-
NET ASSETS, JUNE 30, 2013	-
NET ASSETS, JUNE 30, 2014	\$ -