



Prudhomme Associates CPAs

A Professional Corporation

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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, 2015, 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, 2015, 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 and the schedule of activities - First Five Grant - QP 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
November 10, 2015

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 81,840
Investments	34,575
Accounts receivable	101,496
Grants receivable	46,132
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TOTAL CURRENT ASSETS

 264,043

PROPERTY AND EQUIPMENT:

Computer equipment	18,623
Furniture and equipment	249,249
Leasehold improvements	215,878
Signs	857
Landscaping	24,193
Buildings	288,799
Land	39,479
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837,078
Less: Accumulated depreciation

 (623,810)

NET PROPERTY AND EQUIPMENT

 213,268

TOTAL ASSETS

 \$ 477,311

See notes to financial statements.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$	19,342
Accrued liabilities		69,034
Accrued compensated absences		55,532

TOTAL LIABILITIES 143,908

NET ASSETS

Unrestricted		323,403
Temporarily restricted by donors		10,000

TOTAL NET ASSETS 333,403

TOTAL LIABILITIES AND NET ASSETS \$ 477,311

See notes to financial statements.

V.I.P. TOTS
A NON-PROFIT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

<u>UNRESTRICTED NET ASSETS</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
SUPPORT AND REVENUES:			
Inland Regional Center/Home Program	\$ 442,765	\$ -	\$ 442,765
Childcare tuition	249,373	-	249,373
Grant income - First Five Special Needs	223,090	-	223,090
Grant income - First Five A&Q	350,638	-	350,638
Grant income - First Five QP	31,387	-	31,387
Inland Regional Center - Tots with Tutors	350,777	-	350,777
Small grants	-	10,000	10,000
Funds released from restrictions	7,528	(7,528)	-
Fundraising Income	40,160	-	40,160
Other income	3,582	-	3,582
Unrealized gain on investments	(3,612)	-	(3,612)
Interest income	1,812	-	1,812
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUES	1,697,500	2,472	1,699,972
COSTS AND EXPENSES:			
Program services:			
Inland Regional Center/Home Program	383,210	-	383,210
Training and Childcare	930,470	-	930,470
Tots with tutors	266,652	-	266,652
	<hr/>	<hr/>	<hr/>
TOTAL PROGRAM SERVICES	1,580,332	-	1,580,332
Support services:			
General and administrative	234,372	-	234,372
Fundraising	9,299	-	9,299
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT SERVICES	243,671	-	243,671
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	1,824,003	-	1,824,003
	<hr/>	<hr/>	<hr/>
NET DECREASE IN NET ASSETS	(126,503)	2,472	(124,031)
NET ASSETS, JUNE 30, 2014	449,906	7,528	457,434
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NET ASSETS, JUNE 30, 2015	\$ 323,403	\$ 10,000	333,403
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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, 2015

	PROGRAM SERVICES			SUPPORT SERVICES		
	INLAND REGIONAL CENTER	TRAINING AND CHILDCARE	TOTS WITH TUTORS	GENERAL AND ADMINISTRATIVE	FUNDRAISING	TOTAL
Salaries and wages	\$ 263,041	\$ 630,203	\$ 161,232	\$ 179,216	\$ -	\$ 1,233,692
Payroll taxes	25,727	58,944	15,104	15,960	-	115,735
Employment costs	11,339	27,794	12,290	8,922	-	60,345
Worker's compensation insurance	18,407	33,654	11,234	10,475	-	73,770
Accounting and legal fees	7,799	2,176	7,519	468	20	17,982
Advertising and promotion	-	1,728	-	-	-	1,728
Bank charges	30	81	12	12	-	135
Depreciation	1,919	17,155	1,693	1,806	-	22,573
Dues and subscriptions	194	301	108	803	-	1,406
Fundraising events	-	-	-	-	3,081	3,081
Insurance expense	2,414	5,615	2,205	1,617	-	11,851
Outside services	9,461	20,082	5,348	5,955	-	40,846
Postage and printing	251	516	135	128	95	1,125
Professional fees	-	3,526	33,794	-	-	37,320
Rent	5,851	38,082	3,974	3,562	-	51,469
Repairs and maintenance	1,880	14,005	823	313	-	17,021
Supplies and equipment	4,759	42,675	3,927	1,511	6,103	58,975
Telephone and utilities	9,663	30,869	3,172	1,887	-	45,591
Travel	20,475	3,064	4,082	1,737	-	29,358
TOTAL EXPENSES	\$ 383,210	\$ 930,470	\$ 266,652	\$ 234,372	\$ 9,299	\$ 1,824,003

V.I.P. TOTS
STATEMENT OF CASH FLOWS
A NON-PROFIT CORPORATION
YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in Net Assets	\$ (124,031)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by (Used in) Operating Activities:	
Depreciation	22,573
Decrease in Accounts receivable	8,958
Increase in Grants receivable	(12,398)
Decrease in Prepaid expenses	14,701
Decrease in Accounts payable	(785)
Decrease in Accrued liabilities	(73)
Increase in Compensated absences	5,272
Net unrealized loss on investments	<u>1,878</u>
 NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	 <u><u>(83,905)</u></u>
 CASH FLOWS FROM INVESTING ACTIVITIES:	
Cash payments for the purchase of fixed assets	<u>(24,996)</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 (108,901)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>190,741</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u><u>\$ 81,840</u></u>
 <u>SUPPLEMENTAL INFORMATION OF CASH FLOW INFORMATION:</u>	
 CASH PAID FOR INCOME TAXES	 <u><u>\$ -</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, 2015

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.

Basis of Accounting

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB ASC Topic 958-205, Not-for-Profit Entities - Presentation of Financial Statements. Under FASB ASC Topic 958-205, the Organization 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.

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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$1,728 during the fiscal year ended June 30, 2015.

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.

Fair Value Measurements

FASB ASC 820-10 regarding fair value measurements clarifies the definition of fair value for financial reporting and establishes a three-tier hierarchy as a framework for measuring fair value which requires an entity to give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements) when measuring fair value. The standard also requires additional disclosure about the use of fair value measurements.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Fair value is defined as the price to sell an asset or transfer a liability between market participants as of the measurement date. The three levels of the fair value hierarchy under this standard are as follows:

- Level 1 - Inputs are unadjusted quoted prices for identical instruments in active markets.
- Level 2 - Inputs are input other than quoted prices included within Level 1 that are directly or indirectly observable, such as quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets.
- Level 3 - Inputs are unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from techniques which one or more significant value drivers are observable.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels.

Investment Securities

The Organization follows the Not-For-Profit Entities subtopic of the FASB Accounting Standards Codification with respect to marketable securities. Under this subtopic, investments in marketable securities with readily determinable fair values and all investments in debt securities 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 change in net assets. Dividends on investments are recognized in income when declared.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2015 was \$22,573.

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, 2015.

The Organization's Forms 990, Return of Organization Exempt from Income Tax, for the fiscal years ending 2012, 2013 and 2014 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.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015 are summarized as follows:

<u>Security Type</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Cash equivalents	\$ -	\$ -
Mutual funds	<u>34,575</u>	<u>(3,611)</u>
	<u>\$ 34,575</u>	<u>\$ (3,611)</u>

The securities are valued at the closing price of the active market in which the security is traded. The fair value of all the above marketable securities have been measured on a recurring basis using Level 1 inputs.

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, 2015. 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, 2015.

V.I.P. TOTS
 (A NON-PROFIT CORPORATION)
 NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015 is as follows:

	<u>Small Grants</u>
Temporarily restricted net assets at July 1, 2014	\$ 7,528
Received during fiscal year ended June 30, 2015	10,000
Expended as of June 30, 2015	(7,528)
Temporarily restricted net assets at June 30, 2015	\$ 10,000

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 August 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, 2015 are as follows:

2016	\$ 47,570
2017	35,408
2018	20,536
2019	3,100
Total	\$ 106,614

Rent expense for the year ending June 30, 2015 was \$51,469.

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – SPECIAL EVENTS

The Organization has various fundraising events. The revenue and related expenses from such events for the year ended June 30, 2015 were as follows:

<u>Event</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Net</u>
Duck Race	\$ 26,272	\$ 3,012	\$ 23,260
Trike-A-Thon	<u>2,006</u>	<u>69</u>	<u>1,937</u>
Total	<u>\$ 28,278</u>	<u>\$ 3,081</u>	<u>\$ 25,197</u>

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 10, 2015, the date which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
SCHEDULES OF ACTIVITIES - FIRST FIVE GRANT SPECIAL NEEDS
YEAR ENDED JUNE 30, 2015

	CHILDCARE <u>#14202 SN</u>
REVENUES	
Grant Income	\$ 223,090
COSTS AND EXPENSES:	
Personnel	139,260
Benefits	27,684
Operations	35,555
Overhead	20,591
TOTAL COSTS AND EXPENSES	<u>223,090</u>
TOTAL INCREASE IN NET ASSETS	-
NET ASSETS, JUNE 30, 2014	<u>-</u>
NET ASSETS, JUNE 30, 2015	<u><u>\$ -</u></u>

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
SCHEDULES OF ACTIVITIES - FIRST FIVE GRANT A & Q
YEAR ENDED JUNE 30, 2015

	CHILDCARE <u>#13311 AQ</u>
REVENUES	
Grant Income	<u>\$ 350,638</u>
COSTS AND EXPENSES:	
Operational expenses	<u>350,638</u>
TOTAL COSTS AND EXPENSES	<u>350,638</u>
TOTAL INCREASE IN NET ASSETS	-
NET ASSETS, JUNE 30, 2014	<u>-</u>
NET ASSETS, JUNE 30, 2015	<u><u>\$ -</u></u>

V.I.P. TOTS
(A NON-PROFIT CORPORATION)
SCHEDULES OF ACTIVITIES - FIRST FIVE GRANT QP
YEAR ENDED JUNE 30, 2015

CHILDCARE
#13311 QP

REVENUES

Grant Income

\$ 31,387

COSTS AND EXPENSES:

Playground and classroom equipment

26,998

Leasehold improvements

4,389

TOTAL COSTS AND EXPENSES

31,387

TOTAL INCREASE IN NET ASSETS

-

NET ASSETS, JUNE 30, 2014

-

NET ASSETS, JUNE 30, 2015

\$ -