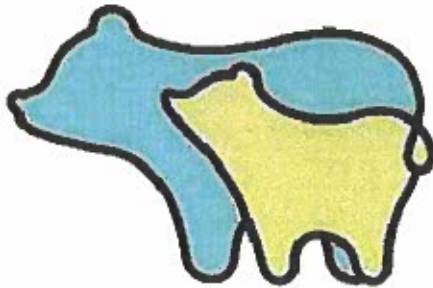


V.I.P. TOTS

**Financial Statements and
Independent Auditors' Report**

June 30, 2019

VIP TOTS
EARLY
19 LEARNING 79



SM&Co

Independent Auditors' Report.....	1
Financial Statements	
Statement of Financial Position.....	3
Statement of Activities.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8
 Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14
Schedule of Findings and Questioned Costs.....	16
Status of Prior Year Findings.....	17



Smith Marion & Co. · Certified Public Accountants
Redlands Office · 1940 Orange Tree Lane, Suite 100 · Redlands, CA 92374 · (909) 307-2323

Independent Auditors' Report

The Governing Body of
V.I.P. TOTS

Report on the Financial Statements

We have audited the accompanying financial statements of V.I.P. TOTS (Agency), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Agency'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 Agency'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 the Agency as of June 30, 2019 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Smith Marion & Co

January 15, 2020
Redlands, CA

V.I.P. TOTS
Statement of Financial Position
June 30, 2019

Assets

Current assets:

Cash and equivalents - operating	\$ 180,802
Grants and contracts receivable	154,874
Fees and charges receivable	1,302
Other receivables	17,436
Investments - operating	2,938
Prepays and deposits	<u>45,638</u>
Total current assets	<u>402,990</u>

Property and equipment, at cost

Land	39,479
Buildings and improvements	313,849
Furniture and equipment	255,470
Leasehold improvements	<u>213,751</u>
Total acquisition costs	822,549
Less accumulated depreciation	<u>(708,877)</u>
Property and equipment, net	<u>113,672</u>

Total Assets

\$ 516,662

V.I.P. TOTS
Statement of Financial Position
June 30, 2019

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	7,466
Prepaid fees and charges		1,422
Accrued wages payable		42,030
Accrued payroll tax and benefits payable		18,749
Accrued vacations payable		22,022
Total current liabilities		91,689

Total liabilities		91,689
-------------------	--	--------

Net assets:

Without donor restriction		
Undesignated		424,973
Designated by the Board		-
Total without donor restriction		424,973

With donor restriction		
Purpose restrictions		-
Time-restricted for future periods		-
Perpetual in nature		-
Total with donor restriction		-
Total net assets		424,973

Total Liabilities and Net Assets	\$	516,662
---	-----------	----------------

V.I.P. TOTS
Statement of Activities
Year End June 30, 2019

Revenue, Support, and Gains	Without Donor Restriction	With Donor Restriction	Total
Contracts and grants	\$ -	\$ 1,296,751	\$ 1,296,751
Contributions	8,861	-	8,861
In-kind contributions	178	-	178
Program service fees	148,356	-	148,356
Net investment return	193	-	193
Other revenue	14,771	-	14,771
Gross special events revenue	24,461	-	24,461
Less cost of direct benefits to donors	<u>(11,129)</u>	-	<u>(11,129)</u>
Net special events revenue	13,332	-	13,332
Gift shop sales	2,241	-	2,241
Less costs of goods sold	<u>(1,606)</u>	-	<u>(1,606)</u>
Net gift shop sales	635	-	635
Net assets released from restriction	<u>1,303,011</u>	<u>(1,303,011)</u>	-
Total revenue, support, and gains	1,489,337	(6,260)	1,483,077
Expenses and Losses			
Program services expense	<u>1,197,218</u>	-	<u>1,197,218</u>
Supporting services expense			
Management and general	223,875	-	223,875
Fundraising	74,625	-	74,625
Total supporting services expense	<u>298,500</u>	-	<u>298,500</u>
Loss of disposition of assets	-	-	-
Total expenses and losses	<u>1,495,718</u>	-	<u>1,495,718</u>
Change in net assets	(6,381)	(6,260)	(12,641)
Net assets, beginning of year	<u>431,354</u>	<u>6,260</u>	<u>437,614</u>
Net assets, end of year	<u>\$ 424,973</u>	<u>\$ -</u>	<u>\$ 424,973</u>

See accompanying notes.

V.I.P. TOTS
Statement of Functional Expenses
Year End June 30, 2019

	Program Services	Management and General	Fundraising	Total
Grants and other assistance	\$ 44,200	\$ 8,288	\$ 2,763	\$ 55,250
Salaries and wages	815,045	152,821	50,940	1,018,806
Employee benefits	45,698	8,568	2,856	57,122
Payroll taxes	62,327	11,686	3,895	77,909
Fees for professional services	28,185	5,285	1,762	35,231
Legal and accounting	13,281	2,490	830	16,601
Training and development	734	138	46	918
Advertising and promotion	5,506	1,032	344	6,883
Office expenses	28,444	5,333	1,778	35,555
Information technology	10,836	2,032	677	13,545
Occupancy	70,631	13,243	4,414	88,289
Travel	30,154	5,654	1,885	37,692
Volunteer appreciation and other donations	4,409	827	276	5,511
Insurance	7,938	1,488	496	9,922
Depreciation	22,183	4,159	1,386	27,729
Other	4,428	830	277	5,535
In-kind expense	178	-	-	178
Bad debt	3,042	-	-	3,042
Gift shop cost of goods sold	-	-	1,606	1,606
Cost of direct benefits to donors	-	-	11,129	11,129
Total expenses by function	1,197,218	223,875	87,360	1,508,453
Less expenses included with revenues on the statement of activities				
Gift shop cost of goods sold	-	-	(1,606)	(1,606)
Cost of direct benefits to donors	-	-	(11,129)	(11,129)
Total expenses included in the expense section on the statement of activities	\$ 1,197,218	\$ 223,875	\$ 74,625	\$ 1,495,718

See accompanying notes.

V.I.P. TOTS
Statement of Cash Flows
June 30, 2019

Cash flows from operating activities	
Change in net assets	\$ (12,641)
Adjustments to reconcile change in net assets to net cash from (used for) operating activities:	
Depreciation	27,729
Realized/unrealized (gain) loss on operating investments	(140)
Changes in operating assets and liabilities	
Grants and contracts receivable	27,512
Fees and charges receivable	10,560
Other receivables	(8,080)
Prepays and deposits	(620)
Accounts payable	3,450
Grant advances	(2,780)
Prepaid fees and charges	1,422
Other current liabilities	2,258
Accrued wages payable	1,937
Accrued payroll tax and benefits payable	11,085
Net cash from (used for) operating activities	<u>61,692</u>
Cash flows from investing activities	
Purchases of property and equipment	<u>(955)</u>
Net cash from (used for) investing activities	<u>(955)</u>
Cash flows from financing activities	
None	<u>-</u>
Net cash from (used for) financing activities	<u>-</u>
Net change in cash and equivalents	60,737
Cash and equivalents, beginning of year	120,065
Cash and equivalents, end of year	<u>\$ 180,802</u>
Cash and equivalents - operating	<u>\$ 180,802</u>
Cash and equivalents, end of year	<u>\$ 180,802</u>

See accompanying notes.

Note 1 - Summary of Significant Accounting Policies

Nature of Business and Organization

V.I.P. TOTS (Organization, we, us, our) 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. We are licensed by the State of California Community Care Licensing to provide childcare services. Additionally, we are a vendor agency with Inland Regional Center to provide services to children. We fulfill our mission by focusing our efforts in two primary service areas.

Child Development and Child Care - Our quality child development classes serve toddlers and preschool children. Programs serve children with and without special needs. Preschool classes have one teacher for 8 to 11 children. Children participate in activities that promote learning in all areas of development. Staff members have experience and training in early childhood and monitor children's needs and progress closely. Teachers communicate frequently with parents. Toddlers 18 months to 24 months are served through a scholarship grant from First 5 Riverside. Children ages two to six are enrolled through parent pay tuition, funded childcare or First 5 scholarships.

Early Intervention - We offer a variety of early intervention services to meet the needs of families who have children with a delay or are at risk of having a delay in all areas of their development.

Home Program serves children ages 0-36 months that have a 33% delay or are at high risk of a developmental delay as designated and funded by Inland Regional Center. We serve families for two to twenty hours per month in their homes. We use a coaching model helping caregivers help their children to progress to the best of their abilities through parent participation. Through our Home Program we serve the communities of Temecula, Murrieta, Menifee, Lake Elsinore, Perris, Moreno Valley, Canyon Lake, Hemet, San Jacinto, Anza, Beaumont, Banning, Calimesa, Yucaipa and Redlands.

"Mommy and Me" is a center-based Program with a ratio of 3 children to 1 teacher in an inclusive classroom setting and is funded by Inland Regional Center as an alternative to Home Program Services. A child with a delay can attend this center based program for 39 hours per month with a parent attending with them in order to learn how to help their child in a group setting. This program must be requested and authorized by Inland Regional Center and is available for children ages 18-36 months.

Intensive Services Program is for children with behavioral challenges and provides a one to one teacher/child ratio. This program must be requested and authorized by Inland Regional Center for up to 65 hours per month. This is a combination of center based and home program hours with parent participation throughout. This also includes a parent training module program.

Basis of Accounting

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

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Accounts Receivable

Accounts receivable consist primarily of noninterest-bearing amounts due for grants and fees for charges. We determine the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. We do not believe any amounts are uncollectable as of yearend.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

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. Buildings, Equipment, and Leasehold Improvements are depreciated using the straight-line method over their estimated useful lives from 3 to 35 years.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

We are exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701d. We are classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

In accordance with accounting standards, which provide accounting and disclosure guidance about uncertain tax positions taken by the Organization, management believes that all of the positions taken by the Organization in its federal and state income tax returns are more likely than not to be sustained upon examination. We file returns in the U.S. Federal jurisdiction and the State of California.

Estimates

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

Concentration of Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or accounts.

Subsequent Events

We have evaluated subsequent events through, January 15, 2020, the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and equivalents - operating	\$	180,802
Grants and contracts receivable		154,874
Fees and charges receivable		1,302
Other receivables		17,436
Investments - operating		<u>2,938</u>
	\$	<u>357,352</u>

As part of our liquidity management plan, we at times invest cash in excess of daily requirements in short-term investments, CDs, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$0 as of June 30, 2019.

Note 3 – Fair Value Measurements

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of quoted prices (unadjusted) for identical assets and liabilities in active markets that a government can access at the measurement date, Level 2 inputs consist of inputs other than quoted prices that are observable for an asset or liability, either directly or indirectly, and Level 3 inputs that have the lowest priority and consist of unobservable inputs for an asset or liability.

The following table presents the balances of the assets measured at fair value on a recurring basis:

	Total	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investment by fair value level:				
Mutual funds	\$ 2,938	\$ 2,938	\$ -	\$ -
	\$ 2,938	\$ 2,938	\$ -	\$ -

Note 4 - Commitments

We lease offices and equipment under various operating leases expiring at various dates through 2022.

Future minimum lease payments are as follows for years ending June 30:

2019	\$	28,284
2020		28,284
2021		12,936
2022		-
		<u>69,504</u>
	\$	69,504

Rent expense for the year ending June 30, 2019 was \$25,299.

Note 5 - Special Events

Annually we hold fundraising events. The revenue and related expenses from such events for the year ended June 30, 2019 were as follows:

Gross special event revenue:		
Duck Race	\$	19,961
Karaoke Night		<u>4,500</u>
		24,461
Less direct benefits to donors		<u>(11,129)</u>
Net special events revenue	\$	<u>13,332</u>

Note 6 – Pension Plan

We sponsor a 401(k) defined contribution plan. Employees meeting specified age and service requirements are eligible to participate in the plan. During the fiscal year ended June 30, 2019, we made no contributions to the plan.

Note 7 - Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Note 8 – Concentrations

We derive 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 9 - Net Assets with Donor Restriction

A summary of activity for our net assets with donor restrictions for year ended June 30, 2019 are as follows:

	Community Foundation
Beginning of period	\$ 6,260
Additions	-
Releases	<u>(6,260)</u>
End of period	<u>\$ -</u>

Community Foundation- Tuition/ Scholarship.

These funds are restricted for use to provide tuition assistance/scholarships to low-income families.



Smith Marion & Co. • Certified Public Accountants
Redlands Office • 1940 Orange Tree Lane, Suite 100 • Redlands, CA 92374 • (909) 307-2323

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards***

Independent Auditors' Report

The Governing Body of
V.I.P. TOTS

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of V.I.P. TOTS (Agency), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no such deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith Marion ? Co

January 15, 2020
Redlands, CA

None reported.