

**LIGHTHOUSE FOR THE
BLIND AND VISUALLY IMPAIRED**
(A California Nonprofit Public Benefit Corporation)

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION AND
SINGLE AUDIT REPORTS**

**For the Years Ended
September 30, 2012 and 2011**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
LightHouse for the Blind and Visually Impaired
San Francisco, California

We have audited the accompanying statements of financial position of LightHouse for the Blind and Visually Impaired (a California nonprofit public benefit corporation), as of September 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 audits provide 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, 2012 and 2011, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2013, on our consideration of LightHouse for the Blind and Visually Impaired's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 audits 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.



June 18, 2013

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION
September 30, 2012 and 2011

	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents (Note 1)	\$ 856,629	\$ 513,765
Receivables (Note 1):		
LightHouse Industries sales	169,387	224,417
Government contracts	186,059	446,700
Other receivables	153,430	143,834
Prepaid expenses and deposits	5,196	55,626
Inventory (Note 1)	<u>187,039</u>	<u>200,147</u>
Total current assets	1,557,740	1,584,489
Investments (Note 2)	29,102,947	25,150,554
Property, equipment and improvements, net of accumulated depreciation of \$3,629,603 at 2011 and \$3,441,889 at 2011 (Notes 1 and 3)	<u>5,940,259</u>	<u>2,583,506</u>
Total assets	<u>\$ 36,600,946</u>	<u>\$ 29,318,549</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and other accrued expenses	\$ 287,414	\$ 354,331
Accrued vacations	<u>156,588</u>	<u>168,133</u>
Total current liabilities	444,002	522,464
Loan payable (Note 4)	<u>2,824,741</u>	<u>-</u>
Total liabilities	3,268,743	522,464
Net assets:		
Unrestricted net assets:		
Designated for operations	23,142,790	18,470,754
Designated for capital assets	<u>9,944,851</u>	<u>9,944,851</u>
Total unrestricted net assets	33,087,641	28,415,605
Temporarily restricted net assets (Note 5)	115,829	251,747
Permanently restricted net assets (Note 6)	<u>128,733</u>	<u>128,733</u>
Total net assets	<u>33,332,203</u>	<u>28,796,085</u>
Total liabilities and net assets	<u>\$ 36,600,946</u>	<u>\$ 29,318,549</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES
For the year ended September 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE AND TRANSFERS				
Support:				
Government contracts and other grants	\$ 807,327	\$ -	\$ -	\$ 807,327
Donations and bequests	1,121,475	186,911	-	1,308,386
In-kind goods and services (Note 7)	551,000	-	-	551,000
Total support	<u>2,479,802</u>	<u>186,911</u>	<u>-</u>	<u>2,666,713</u>
Revenue:				
Sales, net of fees of \$35,259	1,171,803	-	-	1,171,803
Fees for service	625,309	-	-	625,309
Miscellaneous	36,951	-	-	36,951
Interest and dividend income (Note 2)	748,474	257	-	748,731
Rental income	39,157	-	-	39,157
Total revenue	<u>2,621,694</u>	<u>257</u>	<u>-</u>	<u>2,621,951</u>
Net assets released from restrictions	<u>323,086</u>	<u>(323,086)</u>	<u>-</u>	<u>-</u>
Total support, revenue and transfers	<u>5,424,582</u>	<u>(135,918)</u>	<u>-</u>	<u>5,288,664</u>
OPERATING EXPENSES				
Program expenses	3,831,188	-	-	3,831,188
General and administrative	845,305	-	-	845,305
Fundraising	285,346	-	-	285,346
Total expenses	<u>4,961,839</u>	<u>-</u>	<u>-</u>	<u>4,961,839</u>
Change in net assets from operations	462,743	(135,918)	-	326,825
OTHER GAINS AND LOSSES				
Realized and unrealized gains (losses) on investments, net of fees (Note 2)	4,209,293	-	-	4,209,293
Change in net assets	4,672,036	(135,918)	-	4,536,118
Net assets, beginning of year	<u>28,415,605</u>	<u>251,747</u>	<u>128,733</u>	<u>28,796,085</u>
Net assets, end of year	<u>\$ 33,087,641</u>	<u>\$ 115,829</u>	<u>\$ 128,733</u>	<u>\$ 33,332,203</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES (CONTINUED)
For the year ended September 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE AND TRANSFERS				
Support:				
Government contracts and other grants	\$ 1,492,277	\$ -	\$ -	\$ 1,492,277
Donations and bequests	187,270	243,995	-	431,265
In-kind goods and services (Note 7)	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>5,100</u>
Total support	<u>1,684,647</u>	<u>243,995</u>	<u>-</u>	<u>1,928,642</u>
Revenue:				
Sales, net of fees of \$45,101	1,480,680	-	-	1,480,680
Fees for service	754,648	-	-	754,648
Miscellaneous	40,141	-	-	40,141
Interest and dividend income (Note 2)	<u>648,027</u>	<u>4,137</u>	<u>-</u>	<u>652,164</u>
Total revenue	<u>2,923,496</u>	<u>4,137</u>	<u>-</u>	<u>2,927,633</u>
Net assets released from restrictions	<u>161,140</u>	<u>(161,140)</u>	<u>-</u>	<u>-</u>
Total support, revenue and transfers	<u>4,769,283</u>	<u>86,992</u>	<u>-</u>	<u>4,856,275</u>
OPERATING EXPENSES				
Program expenses	4,303,933	-	-	4,303,933
General and administrative	779,854	-	-	779,854
Fundraising	<u>317,350</u>	<u>-</u>	<u>-</u>	<u>317,350</u>
Total expenses	<u>5,401,137</u>	<u>-</u>	<u>-</u>	<u>5,401,137</u>
Change in net assets from operations	(631,854)	86,992	-	(544,862)
OTHER GAINS AND LOSSES				
Realized and unrealized gains (losses) on investments, net of fees (Note 2)	<u>(1,071,473)</u>	<u>-</u>	<u>-</u>	<u>(1,071,473)</u>
Change in net assets	(1,703,327)	86,992	-	(1,616,335)
Net assets, beginning of year	<u>30,118,932</u>	<u>164,755</u>	<u>128,733</u>	<u>30,412,420</u>
Net assets, end of year	<u>\$ 28,415,605</u>	<u>\$ 251,747</u>	<u>\$ 128,733</u>	<u>\$ 28,796,085</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES
For the year ended September 30, 2012

	Program Services			Supporting Services			Total	
	Community and Information	Rehabilitation Services	LightHouse Enterprises	Program Services Total	Management and General	Fundraising		Supporting Services Total
Personnel	\$ 851,334	\$ 872,919	\$ 446,222	\$ 2,170,475	\$ 772,168	\$ 235,115	\$ 1,007,283	\$ 3,177,758
Program costs	174,512	145,904	34,975	355,391	8,669	11,785	20,454	375,845
Cost of goods sold	-	-	439,393	439,393	-	-	-	439,393
Occupancy	85,023	85,656	124,842	295,521	12,173	6,702	18,875	314,396
Depreciation and amortization	72,725	20,085	106,267	199,077	11,030	6,072	17,102	216,179
Outside services	24,544	16,917	20,930	62,391	13,991	6,105	20,096	82,487
Postage and printing	11,199	7,631	7,188	26,018	742	6,659	7,401	33,419
Office supplies and equipment	50,757	10,295	27,070	88,122	6,030	3,265	9,295	97,417
Staff training, travel and conference	17,314	17,063	5,182	39,559	8,787	2,270	11,057	50,616
Insurance	15,811	9,264	7,376	32,451	5,804	3,197	9,001	41,452
Telephone	10,597	11,969	6,867	29,433	2,747	1,513	4,260	33,693
Bad debt, bank fee, interest and taxes	5,902	3,907	61,119	70,928	2,676	1,865	4,541	75,469
Shipping and delivery	77	-	21,479	21,556	-	-	-	21,556
Program marketing and public relations	291	291	291	873	-	798	798	1,671
Board expenses	-	-	-	-	488	-	488	488
Total	\$ 1,320,086	\$ 1,201,901	\$ 1,309,201	\$ 3,831,188	\$ 845,305	\$ 285,346	\$ 1,130,651	\$ 4,961,839

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)
For the year ended September 30, 2011

	Program Services				Supporting Services			Total
	Community and Information	Rehabilitation Services	LightHouse Enterprises	Program Services Total	Management and General	Fundraising	Supporting Services Total	
Personnel	\$ 882,445	\$ 1,057,711	\$ 464,939	\$ 2,405,095	\$ 663,664	\$ 216,850	\$ 880,514	\$ 3,285,609
Program costs	291,162	269,025	33,974	594,161	15,028	14,707	29,735	623,896
Cost of goods sold	-	-	474,553	474,553	-	-	-	474,553
Occupancy	38,542	76,752	128,463	243,757	9,704	5,286	14,990	258,747
Depreciation and amortization	71,866	21,482	72,948	166,296	11,929	6,498	18,427	184,723
Outside services	15,848	10,362	7,790	34,000	33,454	36,469	69,923	103,923
Postage and printing	16,572	3,399	2,630	22,601	2,103	11,210	13,313	35,914
Office supplies and equipment	44,359	132,695	39,701	216,755	14,199	8,017	22,216	238,971
Staff training, travel and conference	23,707	32,647	2,195	58,549	17,364	2,180	19,544	78,093
Insurance	11,630	9,135	6,802	27,567	5,638	3,071	8,709	36,276
Telephone	7,510	10,861	5,185	23,556	2,117	1,153	3,270	26,826
Bad debt, bank fee, interest and taxes	17	-	7,609	7,626	4,136	487	4,623	12,249
Shipping and delivery	-	-	28,592	28,592	-	-	-	28,592
Program marketing and public relations	275	275	275	825	-	11,422	11,422	12,247
Board expenses	-	-	-	-	518	-	518	518
Total	\$ 1,403,933	\$ 1,624,344	\$ 1,275,656	\$ 4,303,933	\$ 779,854	\$ 317,350	\$ 1,097,204	\$ 5,401,137

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS
For the years ended September 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	<u>\$ 4,536,118</u>	<u>\$ (1,616,335)</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	216,179	184,724
Non-cash donation of land and building	(550,000)	-
Realized loss on investments	(875,036)	354,826
Unrealized loss (gain) on investments	(3,334,257)	687,999
Loss on disposal of property, equipment and improvements	23,891	1,211
Changes in assets and liabilities:		
Receivables	306,075	(74,819)
Prepaid expenses and deposits	50,430	5,919
Inventory	13,108	(17,296)
Accounts payable and other accrued expenses	(66,917)	(53,576)
Accrued vacations	(11,545)	21,015
Total adjustments	<u>(4,228,072)</u>	<u>1,110,003</u>
Net cash provided (used) by operating activities	<u>308,046</u>	<u>(506,332)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,721,079)	(3,792,819)
Sales of investments	1,977,979	4,574,548
Purchase of property, equipment and improvements	<u>(3,046,823)</u>	<u>(65,830)</u>
Net cash (used) provided by investing activities	<u>(2,789,923)</u>	<u>715,899</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	<u>2,824,741</u>	<u>-</u>
Net increase in cash and cash equivalents	342,864	209,567
Cash and cash equivalents, beginning of year	<u>513,765</u>	<u>304,198</u>
Cash and cash equivalents, end of year	<u>\$ 856,629</u>	<u>\$ 513,765</u>
Supplementary information:		
Cash paid for interest	<u>\$ 28,393</u>	<u>\$ -</u>
Non-cash donation of land and building	<u>\$ 550,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - LightHouse for the Blind and Visually Impaired (hereafter, LightHouse or the Corporation), a California nonprofit public benefit corporation founded in 1958, provides a variety of programs to adults, children and seniors who are blind or visually impaired at five locations: San Francisco, Marin, Napa, Alameda, 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.
- Blind Leaders Renovation Project 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 websites for accessibility, measuring against 508 and WCAG 2.0 Checkpoints, ensuring that clients or customers who are blind or visually impaired can access the information posted.
- The LightHouse offers an accessible website providing detailed resources and information about services, events and other items of potential interest to the blind and visually impaired community.
- The LightHouse’s Information and 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 service volunteers are often assigned to seniors who are new to vision loss and lack other systems of support.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Community and Information Services (Continued)

- The LightHouse also serves as a resource on matters related to public policy, advocates for the inclusion and community participation of people who are blind and visually impaired. Key advocacy priorities include employment and transportation access.
- The Taxi Voucher Program, coordinated with the City and County of San Francisco, provides taxi rides for disabled San Franciscans.

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.
- 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.
- Employment Program, prepares blind and low-vision individuals who are ready to go to work, but need some skills in areas such as: resume writing, job search techniques, interview skills, etc. Upon completion of the employment preparation component, individuals work with a job developer to secure and retain employment.

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 online.

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.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation - Resources are classified for accounting and reporting purposes into three classes of net assets: unrestricted, temporarily restricted and permanently restricted, according to externally imposed restriction as follows:

Unrestricted net assets - Net assets that are not subject to any donor-imposed restrictions.

Temporarily restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Corporation pursuant to those stipulations, (b) from other asset enhancements and diminishment that are subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the Corporation pursuant to those stipulations.

Permanently restricted net assets - Net assets resulting (a) from contributions and other inflows of assets whose use by the Corporation is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (b) from other assets enhancements and diminishment that are subject to the same kinds of stipulations, and (c) from reclassifications from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

Method of Accounting - The financial statements of the Corporation are prepared using the accrual basis of accounting, which reflects revenue when earned and expenses as incurred.

Cash and Cash Equivalents - For purposes of the statement of cash flows, cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of the acquisition date.

Receivables - Receivables are recorded net of an allowance for expected losses. The allowance is recorded based on estimates of the expected collectibility of the amounts.

Contributions - Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. 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.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Improvements - The Corporation records property, equipment and improvements in excess of \$1,000 at historical cost or, if donated, at fair market value at the date of donation. Depreciation is determined on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged against income as incurred.

Functional Allocation of Expenses - The Corporation allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect costs are allocated among program and support services on a basis proportionate to the direct staff time or other method which best measures the relative degree of benefit.

Inventory - Inventory stated at the lower of cost or market value, on the first-in, first-out basis. As of September 30, 2012 and 2011, inventory consisted of the following:

	<u>2012</u>	<u>2011</u>
Adaptations store inventory	\$ 42,299	\$ 73,030
LightHouse Industries materials inventory	<u>144,740</u>	<u>127,117</u>
	<u>\$ 187,039</u>	<u>\$ 200,147</u>

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 accounts payable and other accrued expenses.

Income Taxes - The Corporation is exempt from state and federal taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, and is considered by the IRS to be an organization other than a private foundation. In the opinion of management, there is no unrelated business income.

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.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events - Subsequent events have been evaluated through June 18, 2013, which is the date the financial statements were available to be issued.

ASC 740-10, Accounting for Uncertainty in Income Taxes - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. The Corporation has determined whether any tax positions have met the recognition threshold and have measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation would be recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

NOTE 2 INVESTMENTS

The following are the major categories of marketable equity securities measured at fair value on a recurring basis during the years ended September 30, 2012 and 2011, using quoted prices in active markets for identified assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3):

	<u>Fair Value Measurements Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
<u>2012:</u>				
<u>Description</u>				
Mutual funds - Equity funds	\$ 20,821,165	\$ -	\$ -	\$ 20,821,165
Mutual funds - Bond funds	7,706,915	-	-	7,706,915
Real estate investment fund	574,167	-	-	574,167
Other	700	-	-	700
	<u>\$ 29,102,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,102,947</u>

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 2 INVESTMENTS (Continued)

<u>2011:</u> <u>Description</u>	<u>Fair Value Measurements Using</u>			<u>Total</u>
	<u>Quoted Price in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Mutual funds - Equity funds	\$ 17,516,148	\$ -	\$ -	\$ 17,516,148
Mutual funds - Bond funds	7,111,766	-	-	7,111,766
Real estate investment fund	521,940	-	-	521,940
Other	700	-	-	700
	<u>\$ 25,150,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,150,554</u>

The following summarizes the investment income (loss) during the years ended September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Interest and dividend income	\$ 748,731	\$ 652,164
Realized loss on investments	875,036	(354,826)
Unrealized gain/loss on investments	3,334,257	(687,999)
Investment management fees	-	(28,648)
	<u>4,209,293</u>	<u>(1,071,473)</u>
	<u>\$ 4,958,024</u>	<u>\$ (419,309)</u>

NOTE 3 PROPERTY, EQUIPMENT AND IMPROVEMENTS

Property, equipment and improvements consisted of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 1,274,290	\$ 423,390
Land improvements	310,777	307,011
Building and improvements	5,636,971	2,984,594
Furniture and equipment	<u>2,347,824</u>	<u>2,310,400</u>
	9,569,862	6,025,395
Less: accumulated depreciation	<u>(3,629,603)</u>	<u>(3,441,889)</u>
Property, equipment and improvements, net	<u>\$ 5,940,259</u>	<u>\$ 2,583,506</u>

Depreciation expense for the years ended September 30, 2012 and 2011 was \$216,179 and \$184,724, respectively.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 4 LOAN PAYABLE

In 2012, the Corporation signed a loan agreement for a revolving line of credit up to \$5,000,000. The loan is unsecured and the unpaid principal balance bears interest at the rate of LIBOR plus 1.75%, which was 2% in 2012. Interest-only payments are due monthly, with the principal and unpaid accrued interest due upon maturity of the loan on March 15, 2015. On September 30, 2012, the unpaid principal balance was \$2,824,741.

The future minimum liabilities for the loan payable are as follows:

Year ending September 30,	
2013	\$ -
2014	-
2015	<u>2,824,741</u>
	<u>\$ 2,824,741</u>

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by time and/or purpose and consisted of the following at September 30, 2012 and 2011:

	2012	2011
Enchanted Hills Camp	\$ 46,436	\$ 205,119
Rehabilitation services	4,598	5,261
Education and recreation	30,843	31,425
Client support services	5,991	5,792
Technology	19,405	-
Other	<u>8,556</u>	<u>4,150</u>
	<u>\$ 115,829</u>	<u>\$ 251,747</u>

NOTE 6 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT

The Corporation's endowment consists of donor-restricted balances established for a variety of purposes held in one savings account. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 6 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (Continued)

Interpretation of Law - The Board of Directors of the LightHouse has interpreted the California State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair market value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Corporation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if applicable. The remaining portion of the donor-restricted 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 by the organization in a manner consistent with the standard of prudence prescribed in SPMIFA. In accordance with SPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund as of:

<u>September 30, 2012</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 257	\$ -	\$ 128,733	\$ 128,990
Total funds	<u>\$ 257</u>	<u>\$ -</u>	<u>\$ 128,733</u>	<u>\$ 128,990</u>
 <u>September 30, 2011</u>				
Donor-restricted endowment funds	\$ -	\$ -	\$ 128,733	\$ 128,733
Total funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 128,733</u>	<u>\$ 128,733</u>

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 6 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (Continued)

Changes in Endowment Net Assets for the Fiscal Years Ended September 30, 2012 and 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, September 30, 2010	\$ -	\$ -	\$ 128,733	\$ 128,733
Investment return:				
Interest and dividends	-	4,137	-	4,137
Total investment return	-	4,137	-	4,137
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	-	(4,137)	-	(4,137)
Endowment net assets, September 30, 2011	-	-	128,733	128,733
Investment return:				
Interest and dividends	-	257	-	257
Total investment return	-	257	-	257
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure	257	(257)	-	-
Endowment net assets, September 30, 2012	<u>\$ 257</u>	<u>\$ -</u>	<u>\$ 128,733</u>	<u>\$ 128,990</u>

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 6 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (Continued)

Description of Amounts Classified as Permanently Restricted Net Assets and Temporarily Restricted Net Assets (Endowment Only) for the Fiscal Years Ended September 30, 2012 and 2011

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained Permanently either by explicit donor stipulation of SPMIFA to benefit the following programs:

	2012	2011
Multi-disabled Adult Campers	\$ 82,733	\$ 82,733
Campers from Alameda County	36,000	36,000
Education and Recreation Related Activities	10,000	10,000

Total endowment funds classified as permanently restricted net assets

	\$ 128,733	\$ 128,733
--	------------	------------

Temporarily Restricted Net Assets

Term endowment funds

	\$ -	\$ -
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The portion of perpetual endowment funds subject to a time restriction under SPMIFA:

Without purpose restrictions

	257	-
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With purpose restrictions

	-	-
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Total endowment funds classified as temporarily restricted net assets

	\$ 257	\$ -
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Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the organization to retain as a fund of perpetual duration. As of September 30, 2012 and 2011, there were no deficiencies in value.

Return Objectives and Risk Parameters

The Corporation has adopted investment and spending policies for endowment assets that attempt to provide a constant stream of funding for annual operating needs supported by its endowment while seeking to preserve the real (i.e., inflation adjusted) purchasing power of the endowment assets. Endowment assets include those assets of the donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Finance Committee, the endowment assets are invested in a manner that is intended to produce results that (1) meet the expected rate of return as dictated by the asset allocation in place and (2) exceed a weighted index of the total asset allocation and component benchmarks over rolling five-year periods by an appropriate amount (annualized, net of fees, over a full market cycle). In addition to rolling five-year periods, rolling three-year periods will be monitored for trends. Actual returns in any given year may vary.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 6 PERMANENTLY RESTRICTED NET ASSETS/ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return, the Corporation targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Corporation currently distributes all income from endowment assets.

NOTE 7 IN-KIND GOODS AND SERVICES

During the years ended September 30, 2012 and 2011, the Corporation received contributions of in-kind goods and services as follows:

	2012	2011
Land and building	\$ 550,000	\$ -
Equipment	1,000	-
Other in-kind services, program	-	4,000
Other in-kind services, raffle prizes	-	1,100
	\$ 551,000	\$ 5,100

In addition, many individuals volunteer their time and perform a variety of tasks that assist the Corporation with specific assistance programs, campaign solicitations, and various committee assignments.

NOTE 8 OPERATING LEASES AND SERVICE AGREEMENTS

The Corporation has entered into the following operating leases:

- The Corporation leased manufacturing space in Oakland, California, under a noncancellable lease that expired March 31, 2012, and was month-to-month thereafter. The Corporation vacated the space in April 2012. The lease called for monthly rent payments ranging from a base rent of \$7,683 to \$7,902 at the maturity of the lease, plus an allocation of operating costs not to exceed 15% of the base rent amount. During the years ended September 30, 2012 and 2011, rent expense under this lease was \$59,793 and \$106,998, respectively.
- The Corporation leases office space in Eureka, California, under a noncancellable lease that expires November 1, 2013. The lease called for monthly rent payments of \$533 (reduced to \$436 on November 1, 2012), to be adjusted annually based on the area Consumer Price Index (CPI), plus \$150 per month for common area expenses. During the years ended September 30, 2012 and 2011, rent expense under this lease was \$8,264 and \$8,196, respectively.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 8 OPERATING LEASES AND SERVICE AGREEMENTS (Continued)

- The Corporation leases office space in Berkeley, California, under a 60-month noncancellable lease that expires October 31, 2015. The lease calls for base monthly rent payments of \$2,433, to increase by CPI annually, plus an allocation of overhead costs. During the years ended September 30, 2012 and 2011, rent expense under this lease was \$43,021 and \$39,594, respectively.
- The Corporation leases office space in San Rafael, California, under a noncancellable lease that expired April 30, 2011, and is month-to-month thereafter. The lease calls for monthly rent payments of \$1,300. During the years ended September 30, 2012 and 2011, rent expense under this lease was \$15,600 per year.
- The Corporation leases a photocopier under a noncancellable lease that expires June 30, 2014. The lease calls for monthly rent payments of \$398 plus tax. During the years ended September 30, 2012 and 2011, the lease expense totaled \$6,154 and \$5,236, respectively.
- The Corporation leased postage equipment under three agreements originally expiring in February, April and December 2012 but later amended to terminate in March 2011. The leases called for total monthly payment of \$334, plus tax. During the year ended September 30, 2011, the lease expense totaled \$2,885.

Future minimum payments under these noncancellable lease and service agreements are as follows:

<u>Year ending September 30,</u>	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2013	\$ 50,137	\$ 5,236	\$ 55,373
2014	45,244	3,927	49,171
2015	44,808	-	44,808
2016	3,734	-	3,734
	<u>\$ 143,923</u>	<u>\$ 9,163</u>	<u>\$ 153,086</u>

NOTE 9 RETIREMENT PLANS

The Corporation has adopted a 401(k) retirement plan, which covers all employees. Effective January 1, 2011, LightHouse makes matching contributions equal to 100% of the participant contribution during the plan year, not to exceed 6% of each participant's compensation, for all eligible participants who completed at least one year of service with at least 1,000 hours in that 12 month period. Each year, the Board of Directors determines the amount of the employer match. The plan vesting schedule is determined by the years of service with 100% vesting after 6 years of service. During the years ended September 30, 2012 and 2011, the Board approved a contribution to the plan which totaled \$68,926 and \$57,964, respectively.

LightHouse also adopted a 457(b) plan effective March 1, 2011. The plan is funded by employee contributions, and the Corporation made no contributions toward this plan during the years ended September 30, 2012 and 2011.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
For the years ended September 30, 2012 and 2011

NOTE 10 CONTINGENCIES

The Corporation receives grants and contracts from various County, State, and Federal agencies. These grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be estimated and, accordingly, the Corporation has no provisions for the possible disallowance of program costs. It is management's opinion that all grants and contract conditions have been met.

NOTE 11 RISKS, UNCERTAINTIES AND CONCENTRATIONS

The Corporation relies on a significant amount of funding received in the form of donations and grants from individuals and foundations as well as investment income to support its operations. The current global financial markets and discussions of a U.S. economic downturn may have an impact on the level of funding provided by these funding sources and the market value of marketable equity securities held by the Corporation. While it is impracticable to determine the impact of these events, management is taking steps to address potential changes in funding levels and reduce the Corporation's exposure to impact from these events.

LightHouse has a contract to produce a toilet tissue product in specified quantities for the U.S. Government that expires October 10, 2016. For the years ended September 30, 2012 and 2011, net sales under the contract were \$907,760 and \$1,148,634, representing 88.12% and 84.25% of total LightHouse Industries sales, respectively. In addition, at September 30, 2012 and 2011, 96.4% and 92.28%, respectively, of LightHouse Industries accounts receivable were due from the U.S. Government.

SUPPLEMENTARY INFORMATION

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended September 30, 2012

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Contract Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<i>Pass-through from State of California Department of Rehabilitation:</i>			
Services for the Blind	84.177	28016	\$ 410,000
<u>U.S. Department of Transportation, Federal Transit Administration</u>			
<i>Pass-through from the Metropolitan Transportation Commission:</i>			
New Freedom Program	20.521	N/A	82,150
<u>U.S. Department of Health and Human Services</u>			
<i>Pass-through from the Institute on Aging:</i>			
Community Living Fund Contract (36% Federal funding)	93.778	N/A	<u>32,489</u>
			<u>\$ 524,639</u>

This schedule of expenditures of federal awards includes the federal grant activity of LightHouse for the Blind and Visually Impaired and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

According to OMB Circular A-133, the major programs shown on the schedule are Type A programs (over \$300,000) and one Type B program.

**INDEPENDENT AUDITOR'S 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**

To the Board of Directors
LightHouse for the Blind and Visually Impaired
San Francisco, California

We have audited the financial statements of LightHouse for the Blind and Visually Impaired (a California nonprofit public benefit corporation) as of and for the year ended September 30, 2012, and have issued our report thereon dated June 18, 2013. 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.

Internal Control Over Financial Reporting

Management of LightHouse for the Blind and Visually Impaired is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered LightHouse for the Blind and Visually Impaired's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LightHouse for the Blind and Visually Impaired's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LightHouse for the Blind and Visually Impaired's financial statements are free of 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*.

We noted certain matters that we reported to management in a separate letter dated June 18, 2013.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

June 18, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors
LightHouse for the Blind and Visually Impaired
San Francisco, California

Compliance

We have audited the compliance of LightHouse for the Blind and Visually Impaired (a California nonprofit public benefit corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. LightHouse for the Blind and Visually Impaired's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of LightHouse for the Blind and Visually Impaired's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on LightHouse for the Blind and Visually Impaired's compliance with those requirements.

In our opinion, LightHouse for the Blind and Visually Impaired complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the LightHouse for the Blind and Visually Impaired is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the audit committee, others within the organization, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Doran & Associates

June 18, 2013

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED
(A California Nonprofit Public Benefit Corporation)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS, SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS, AND CORRECTIVE ACTION PLAN**
For the year ended September 30, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial statements

- The auditors, Doran & Associates, have issued an unqualified auditor's report.
- No material weaknesses were identified during the audit of the financial statements.
- No instances of noncompliance material to financial statements were disclosed during the audit.

Federal awards

- No material weaknesses were identified during the audit of the major federal award programs.
- The auditors have issued an unqualified auditor's report on compliance for major federal award programs.
- No audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133 were identified.
- Identification of major program(s):
CFDA #84.177, U.S. Department of Education,
Services for the Blind \$ 410,000
- The dollar threshold used to distinguish between type A and type B programs is \$300,000.
- The auditee qualifies as a low-risk auditee.

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

SCHEDULE OF PRIOR AUDIT FINDINGS

None

CORRECTIVE ACTION PLAN

None