

*Consolidated Financial Statements
and Supplementary Information*

LIGHTHOUSE CENTRAL FLORIDA, INC.

September 30, 2013 and 2012

LIGHTHOUSE CENTRAL FLORIDA, INC.

Consolidated Financial Statements and Supplementary Information

September 30, 2013 and 2012

(With Independent Auditor's Report Thereon)

LIGHTHOUSE CENTRAL FLORIDA, INC.

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Independent Auditor's Report

The Board of Directors
Lighthouse Central Florida, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lighthouse Central Florida, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Lighthouse Central Florida, Inc. as of September 30, 2013 and 2012, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of Expenditures of Federal Awards and State Projects, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Section 215.97 of the Florida Statutes of the Florida Single Audit Act is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Also, the supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 8, 2013 on our consideration of the Lighthouse Central Florida, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the 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 Lighthouse Central Florida, Inc.'s internal control over financial reporting and compliance.

Schaefer, Tschoff, Whittemut, Mitchell & Shuidan, LLP

November 8, 2013
Altamonte Springs, Florida

LIGHTHOUSE CENTRAL FLORIDA, INC.

Consolidated Statements of Financial Position

September 30, 2013 and 2012

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents (includes \$161,470 and \$150,277 for Lighthouse Works! - note 7)	\$ 442,512	539,483
Investments (note 2)	1,496,786	1,534,150
Accounts receivable	152,653	-
Grant and other receivables	355,969	271,575
Pledges receivable, current portion (note 3)	56,280	21,000
Prepaid expenses	4,344	-
Inventory	6,881	7,026
Total current assets	<u>2,515,425</u>	<u>2,373,234</u>
Land, building and equipment, net (notes 4 and 5)	2,019,631	2,073,784
Loan financing costs - net of \$3,714 and \$2,664 of accumulated amortization	3,377	4,427
Pledges receivable, less current portion	33,939	94,089
Deposits	129,287	18,700
Total assets	<u>\$ 4,701,659</u>	<u>4,564,234</u>
	<u>Liabilities and Net Assets</u>	
Current Liabilities:		
Accounts payable	\$ 127,404	1,086
Accrued expenses	181,671	163,346
Current maturities of long-term debt (note 5)	25,222	23,382
Total current liabilities	<u>334,297</u>	<u>187,814</u>
Long-term debt, less current maturities (note 5)	<u>572,657</u>	<u>595,932</u>
Total liabilities	<u>906,954</u>	<u>783,746</u>
Net assets:		
Unrestricted	3,760,766	3,686,399
Temporarily restricted	33,939	94,089
Total net assets	<u>3,794,705</u>	<u>3,780,488</u>
Total liabilities and net assets	<u>\$ 4,701,659</u>	<u>4,564,234</u>

See accompanying notes to financial statements.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Consolidated Statement of Activities

Year ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Florida Department of Education	\$ 2,076,813	-	2,076,813
Local government grants	96,084	-	96,084
Foundations	136,778	-	136,778
United Way Heart of Florida	39,025	-	39,025
United Way - Designations	35,143	-	35,143
Contributions	211,483	44,665	256,148
Fund raising, net of \$136,528, direct benefit to donor costs	185,953	-	185,953
Client fees and contracts	18,515	-	18,515
Product and service sales	2,858,317	-	2,858,317
Investment income (note 2)	139,833	-	139,833
Net assets release from restrictions:			
Satisfaction of program restrictions	104,815	(104,815)	-
Total revenue and public support	<u>5,902,759</u>	<u>(60,150)</u>	<u>5,842,609</u>
Expenses:			
Program services:			
Adult and family services	1,022,839	-	1,022,839
Children and family services	872,823	-	872,823
Employment services	430,861	-	430,861
Lighthouse Works!, Inc.	3,056,229	-	3,056,229
Total program services	<u>5,382,752</u>	<u>-</u>	<u>5,382,752</u>
Supporting services:			
Management and general	117,116	-	117,116
Fund raising	328,524	-	328,524
Total supporting services	<u>445,640</u>	<u>-</u>	<u>445,640</u>
Total expenses	<u>5,828,392</u>	<u>-</u>	<u>5,828,392</u>
Change in net assets	74,367	(60,150)	14,217
Net assets at September 30, 2012	<u>3,686,399</u>	<u>94,089</u>	<u>3,780,488</u>
Net assets at September 30, 2013	<u>\$ 3,760,766</u>	<u>33,939</u>	<u>3,794,705</u>

See accompanying notes to financial statements.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Consolidated Statement of Activities

Year ended September 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Florida Department of Education	\$ 2,168,011	-	2,168,011
Local government grants	89,883	-	89,883
Foundations	203,394	-	203,394
United Way Heart of Florida	20,989	-	20,989
United Way - Designations	29,175	-	29,175
Contributions	473,121	94,089	567,210
Fund raising	18,479	-	18,479
Client fees and contracts	20,813	-	20,813
Lighthouse Works!	51,938	-	51,938
Investment income (note 2)	248,576	-	248,576
Net assets release from restrictions:			
Satisfaction of program restrictions	162,643	(162,643)	-
Total revenue and public support	<u>3,487,022</u>	<u>(68,554)</u>	<u>3,418,468</u>
Expenses:			
Program services:			
Adult and family services	1,290,388	-	1,290,388
Children and family services	948,443	-	948,443
Employment services	456,348	-	456,348
Lighthouse Works!, Inc.	514,855	-	514,855
Total program services	<u>3,210,034</u>	<u>-</u>	<u>3,210,034</u>
Supporting services:			
Management and general	150,578	-	150,578
Fund raising	316,176	-	316,176
Total supporting services	<u>466,754</u>	<u>-</u>	<u>466,754</u>
Total expenses	<u>3,676,788</u>	<u>-</u>	<u>3,676,788</u>
Change in net assets	(189,766)	(68,554)	(258,320)
Net assets at September 30, 2011	<u>3,876,165</u>	<u>162,643</u>	<u>4,038,808</u>
Net assets at September 30, 2012	<u>\$ 3,686,399</u>	<u>94,089</u>	<u>3,780,488</u>

See accompanying notes to financial statements.

LIGHTHOUSE CENTRAL FLORIDA, INC.
Consolidated Statement of Functional Expenses
Year ended September 30, 2013

	Program Services				Supporting Services		Total
	Adult and Family	Children and Family	Employment Services	Lighthouse Works!, Inc.	Management and General	Fund Raising	
Salaries, wages and related expenses:							
Salaries and wages	\$ 626,123	517,527	277,288	484,414	48,657	184,168	2,138,177
Employee benefits	114,285	101,687	49,623	52,541	16,978	28,900	364,014
Payroll taxes	51,111	43,152	22,608	42,868	3,912	15,908	179,559
Total salaries, wages and related expenses	791,519	662,366	349,519	579,823	69,547	228,976	2,681,750
Operating expenses:							
Administrative and board	1,700	3,645	622	3,194	3,466	682	13,309
Amortization	598	282	170	-	-	-	1,050
Bad debts	-	-	-	20,559	-	-	20,559
Bank and brokerage fees	110	104	45	300	16,555	30	17,144
Contract services	28,755	21,287	10,624	26,637	8,191	25,828	121,322
Cost of materials	-	-	-	2,155,839	-	-	2,155,839
Depreciation	40,517	20,368	12,264	43,152	1,998	6,217	124,516
Development projects	(1,542)	77	-	-	129	17,800	16,464
Dues and subscriptions	10,746	8,746	2,313	1,460	130	1,063	24,458
Insurance	11,518	10,272	4,607	23,802	2,698	3,042	55,939
Interest	19,679	7,754	7,288	-	43	43	34,807
Lighthouse Works!	-	-	-	1,231	-	-	1,231
Office supplies	17,929	14,190	6,426	23,576	1,229	7,057	70,407
NIB fees	-	-	-	104,644	-	-	104,644
Postage	411	360	350	23,453	184	3,220	27,978
Printing	326	640	241	610	3	6,281	8,101
Program materials and supplies	24,983	43,544	43	31	785	17	69,403
Recruiting and advertising	2,782	3,964	456	727	-	334	8,263
Rent	1,694	1,684	47	316	16	35	3,792
Repairs and maintenance	37,736	16,316	10,638	5,072	7,047	13,220	90,029
Staff development	4,360	8,437	1,354	5,053	533	4,772	24,509
Taxes and licenses	2,505	2,505	2,505	9,950	1,302	1,252	20,019
Telephone	7,378	8,744	3,762	5,137	613	2,852	28,486
Travel general	5,707	25,418	7,785	10,618	624	2,942	53,094
Travel students	(1,924)	6,075	3,822	-	-	-	7,973
Utilities	15,352	6,045	5,980	11,045	2,023	2,861	43,306
Total expenses	1,022,839	872,823	430,861	3,056,229	117,116	328,524	5,828,392

See accompanying notes to financial statements.

LIGHTHOUSE CENTRAL FLORIDA, INC.
Consolidated Statement of Functional Expenses
Year ended September 30, 2012

	Program Services				Supporting Services		Total
	Adult and Family	Children and Family	Employment Services	Lighthouse Works!, Inc.	Management and General	Fund Raising	
Salaries, wages and related expenses:							
Salaries and wages	\$ 772,559	533,914	285,071	371,162	61,514	167,721	2,191,941
Employee benefits	161,058	111,746	60,522	21,198	31,572	36,387	422,483
Payroll taxes	64,579	44,674	24,019	30,946	5,874	14,181	184,273
Total salaries, wages and related expenses	998,196	690,334	369,612	423,306	98,960	218,289	2,798,697
Operating expenses:							
Administrative and board	7,963	4,411	1,057	2,154	4,829	2,275	22,689
Amortization	537	293	101	-	30.00	52.00	1,013
Bank and brokerage fees	431	281	91	-	14,857	82	15,742
Contract services	16,829	14,194	6,145	44,132	2,690	7,240	91,230
Depreciation	69,057	37,787	13,030	-	3,909	6,513	130,296
Development projects	-	-	-	-	38	40,766	40,804
Dues and subscriptions	12,293	8,724	3,774	1,900	1,745	2,374	30,810
Insurance	14,202	12,612	6,032	4,009	3,649	2,585	43,089
Interest	22,645	9,149	3,227	-	537	537	36,095
Lighthouse Works!	-	-	-	9,013	-	-	9,013
Office supplies	25,833	18,680	6,405	14,029	2,146	6,009	73,102
Postage	1,359	590	308	1,435	55	1,245	4,992
Printing	254	186	116	-	154	4,453	5,163
Program materials and supplies	25,537	48,919	2,597	3	1,126	2	78,184
Reception services	7,692	10,943	6,696	(29,976)	1,451	3,194	-
Recruiting and advertising	3,916	3,011	1,738	5,786	193	1,533	16,177
Rent	1,319	743	166	-	1,205	113	3,546
Repairs and maintenance	34,312	23,028	9,407	8,731	5,708	6,978	88,164
Staff development	4,302	10,847	2,348	8,704	2,260	3,385	31,846
Taxes and licenses	7,174	3,090	1,665	4,768	917	1,457	19,071
Telephone	8,612	7,125	3,476	3,695	994	1,798	25,700
Travel general	6,891	25,798	7,835	6,118	813	3,054	50,509
Travel students	2,905	7,430	4,246	1,444	-	-	16,025
Utilities	18,129	10,268	6,276	5,604	2,312	2,242	44,831
Total expenses	\$ 1,290,388	948,443	456,348	514,855	150,578	316,176	3,676,788

See accompanying notes to financial statements.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Consolidated Statements of Cash Flows

Years ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 14,217	(258,320)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Amortization	1,050	1,013
Depreciation	124,516	130,296
Loan forgiveness	-	(112,897)
Unrealized (gain) loss on investments	(84,837)	(205,137)
Changes in operating assets and liabilities:		
Accounts receivable	(152,653)	-
Grant and other receivables	(84,394)	288,685
Pledges receivable	24,870	(115,089)
Prepaid expenses	(4,344)	-
Inventory	145	395
Deposits	(110,587)	-
Accounts payable	126,318	25
Accrued expenses	18,325	16,901
Net cash used in operating activities	<u>(127,374)</u>	<u>(254,128)</u>
Cash flows from investing activities:		
Purchase of land, building and equipment, net	(70,363)	(34,242)
Purchase and sale of investments, net	122,201	212,922
Net cash provided by investing activities	<u>51,838</u>	<u>178,680</u>
Cash flows from financing activities:		
Payments on long-term debt	(21,435)	(20,151)
Net cash used in financing activities	<u>(21,435)</u>	<u>(20,151)</u>
Net change in cash	(96,971)	(95,599)
Cash - beginning of year	539,483	635,082
Cash - end of year	<u>\$ 442,512</u>	<u>539,483</u>
Supplemental disclosure of cash flow information:		
Cash payments for:		
Interest	<u>\$ 34,807</u>	<u>\$ 36,095</u>

See accompanying notes to financial statements.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(1) **Organization and Summary of Significant Accounting Policies**

(a) **Organization**

Lighthouse Central Florida, Inc. (Lighthouse) was organized in Florida in 1983 as a nonprofit organization. The corporation is organized exclusively for charitable purposes to further the interest of visually impaired and multi-impaired persons by supporting a community program for visually impaired and multi-impaired persons. Lighthouse Central Florida, Inc., can solicit, receive; hold and disperse gifts, bequests, and other funds from individuals, trust, corporations, foundations, or other organizations for the purpose of Lighthouse Central Florida, Inc.; conduct fund raising campaigns; and raise money and gifts.

Lighthouse Works!, Inc. (LW) was incorporated in 2011 and created a number of business lines including a Customer Contact Center, Sourcing and Fulfill operations, job training and consulting for the employment of individuals with vision impairment. The employment goal is a minimum of 75% of the direct labor force be filled by individuals with blindness or severe vision impairment.

(b) **Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis and represent the consolidated financial position and consolidated results of operations of Lighthouse and LW. The accompanying consolidated financial statements include the accounts of Lighthouse Central Florida, Inc. and Lighthouse Works!, Inc., which has been consolidated due to the level of control exercised by Lighthouse, collectively referred to as Lighthouse or the Organization. All significant inter-company accounts and transactions have been eliminated in consolidation.

Lighthouse resources are classified and reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- ◆ Unrestricted net assets---Net assets that are not subject to donor-imposed stipulations.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(b) **Basis of Presentation - Continued**

- ◆ Temporarily restricted net assets---Cash and other assets if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets (as defined above) and reported in the statement of activities as “Net assets released from restrictions”. If a restriction is fulfilled in the same time period in which the support is received, Lighthouse Central Florida, Inc. reports the support as unrestricted.
- ◆ Permanently restricted net assets---Net assets subject to donor-imposed stipulations that will be maintained permanently by the Organization. There were no permanently restricted net assets at September 30, 2013 and 2012.

(c) **Principles of Consolidation**

The consolidated financial statements include the accounts of Lighthouse Central Florida, Inc. and Lighthouse Works!, Inc. All inter-company transactions have been eliminated in consolidation.

(d) **Revenue and Expense Recognition**

Lighthouse Central Florida, Inc. recognizes public support, revenue, and expenses on the accrual basis. Support and revenues from grants and contracts are generally recognized as eligible costs are incurred and/or required services are performed. Functional expenses are allocated between programs on the basis of specific identification, where possible, or management’s best estimates.

(e) **Contributions**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(f) **Unconditional Promises to Give**

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected within one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

(g) **Cash and Cash Equivalents**

For purposes of the statements of cash flows, Lighthouse Central Florida, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

(h) **Investments**

Investments are stated at fair value which is determined based on quoted market prices.

(i) **Land and, Building and Equipment**

Land, buildings and equipment are capitalized at cost when purchased or at estimated fair value at the date of gift if donated. Assets are capitalized when the purchase price exceeds \$500 and the estimated useful life is more than one year. Depreciation is provided on a straight-line basis over the following estimated useful lives of the assets as follows:

Furniture and equipment	3 – 7 years
Vans	5 years
Land improvements	15 years
Building and building improvements	39 years

(j) **Income Taxes**

Lighthouse Central Florida, Inc. received their notice of qualifications from the Internal Revenue Service dated November 1984 and Lighthouse Works!, Inc. received their notice of qualification from the Internal Revenue Service dated August 10, 2012 as organizations exempt from income taxes under Internal Revenue Code section 501(c)(3), and are not considered private foundations. Accordingly, no provision or benefit for income taxes has been reflected in the accompanying consolidated financial statements.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies - Continued

(j) Income Taxes - Continued

The Organization has adopted provisions of the Income Tax Topic of the ASC. These provisions clarify the accounting for uncertainty in tax positions taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the consolidated statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. As of September 30, 2013, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the consolidated financial statements.

The Organization's income tax returns are subject to review and examination by federal authorities. The Organization is not aware of any activities that would jeopardize its tax-exempt status. The Organization is not aware of any activities that are subject to tax on unrelated business income, excise or other taxes. The tax returns for the fiscal years ended from 2010 to 2012 are open to examination by federal authorities.

(k) Estimates

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

(l) Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk are primarily cash and accounts receivable. The Organization's cash deposits are placed in highly rated financial institutions which at times may exceed the Federal Deposit Insurance Corporation (FDIC) coverage. The Organization has not experienced any losses in its cash accounts and does not believe it is exposed to any significant credit risks related to uninsured amounts.

The Organization grants credit primarily to governmental agencies and pass-through entities. The Organization has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risks on these accounts.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(1) **Organization and Summary of Significant Accounting Policies - Continued**

(m) **Functional Allocation of Expenses**

The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited on an analysis of personnel time, space utilized, and utilities consumed for the related activities.

(n) **Donated Materials and Services**

Lighthouse Central Florida, Inc. records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials, equipment and services are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at the date of receipt. No amount has been reflected in the consolidated financial statements for volunteer hours, as no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in Lighthouse Central Florida, Inc.'s program services.

(o) **Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through November 8, 2013, which is the date the consolidated financial statements were available to be issued. All subsequent events requiring recognition as of November 8, 2013 have been incorporated into these consolidated financial statements.

(2) **Investments**

The Organization follows the accounting standards for fair value measurement, which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements of assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis. The adoption of these provisions did not impact the Organization's financial position or results of operations.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(2) **Investments - Continued**

Fair value is defined under “Fair Value Measurements and Disclosures,” FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3: inputs that are unobservable (for example, cash flow modeling based on assumptions)

The Organization did not change its valuation techniques during the year and continues to use Level 1 inputs to measure the fair value of its investments.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(2) **Investments - Continued**

The following table summarizes the valuation of the Organization's financial assets measured at fair value on a recurring basis as of September 30, based on the level of input utilized to measure fair value. All investments have been valued using input level 1.

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Unrestricted investments:				
1/100 Berkshire HTWY CLA	\$ 120,300	170,410	120,300	132,700
Loomis Sayles Bond Fund	40,000	42,537	40,000	42,255
Pimco Total Return Fund	-	-	65,000	69,694
Russell Invst Grade Bd Fund	-	-	115,000	117,308
Hartford Global All	200,000	208,342	200,000	197,047
Ivy Asset Strategy Fund	80,000	95,559	80,000	82,655
James Balanced Golden	170,000	184,305	100,000	108,225
Meridian Growth Fund	-	-	50,000	49,157
Guggenheim Exch Trd Fund	-	-	42,432	43,015
Health Care Reit Inc.	67,666	95,441	67,666	88,342
Ishares S&P US PFD Fund	69,880	68,020	69,880	71,349
Ishares TR Barclays Tips	-	-	39,704	45,051
Powershs QQQ Trust SER 1	-	-	69,878	88,455
SPDR S&P Dividend ETF	125,092	159,941	125,092	134,792
Vanguard Div Appreciation	124,920	167,064	124,920	143,232
Vanguard MSCI Emerging	-	-	60,027	52,985
Wisdomtree ETF	74,934	68,349	74,934	67,888
Goldman Sachs Strategic	75,000	73,048	-	-
Pimco Floating Income Fund	65,181	64,590	-	-
Ridgeworth Seix Float	50,000	49,669	-	-
T Rowe Capital Appreciation	47,000	49,511	-	-
	<u>\$ 1,235,039</u>	<u>1,496,786</u>	<u>1,444,833</u>	<u>1,534,150</u>

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(2) Investments - Continued

The following schedule summarizes the investment return and its classification in the consolidated statements of activities for the year ended September 30:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 45,081	47,747
Realized gains/(losses)	9,915	(4,308)
Unrealized gains/(losses)	84,837	205,137
	<u>\$ 139,833</u>	<u>248,576</u>

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, the values of investment securities may change, and these changes may materially affect the amounts reported in the consolidated statements of financial position.

(3) Pledges Receivable

Pledges receivable, net of discount to present value (at a rate of 3%) and allowance for uncollectible contributions are as follows at September 30,:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 56,280	21,000
Receivable in one to five years	184,790	237,440
	241,070	258,440
Less discount to present value	(5,541)	(5,351)
	235,529	253,089
Less: allowance for uncollectible contributions	(145,310)	(138,000)
Pledges receivable, net	<u>\$ 90,219</u>	<u>115,089</u>

The discount will be recognized as contribution income as the discount is amortized using an effective yield over the duration of the pledge.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(4) **Land, Building and Equipment**

Land, building and equipment consist of the following at September 30,:

	<u>2013</u>	<u>2012</u>
Land	\$ 333,498	333,498
Building and improvements	2,274,408	2,243,221
Equipment and furniture	514,188	500,186
	<u>3,122,094</u>	<u>3,076,905</u>
Less accumulated depreciation	1,102,463	1,003,121
Net land, building and equipment	<u>\$ 2,019,631</u>	<u>2,073,784</u>

(5) **Long-Term Debt**

Long-term debt consists of the following at September 30,:

	<u>2013</u>	<u>2012</u>
Note payable to bank, principal and interest monthly installments of \$4,691 payable through March 2017 with balloon payment for remaining principal and interest due March 2017. Interest rate is 5.64%. Note is secured by property.	\$ 597,879	619,314
Less current portion	<u>25,222</u>	<u>23,382</u>
Long-term debt, less current portion	<u>\$ 572,657</u>	<u>595,932</u>

LIGHTHOUSE CENTRAL FLORIDA, INC.

Notes to Consolidated Financial Statements

September 30, 2013 and 2012

(5) **Long-Term Debt - Continued**

Future maturities of long-term debt are as follows:

<u>Year ending September 30,</u>	
2014	\$ 25,222
2015	24,621
2016	26,047
2017	<u>521,989</u>
	<u>\$ 597,879</u>

(6) **Retirement Plan**

Lighthouse Central Florida, Inc. sponsors a 401(k) Plan for eligible employees. Lighthouse Central Florida, Inc. matches up to 6% of the employee's contribution, not to exceed 6% of eligible salary. Contributions to the Plan for the years ended September 30, 2013 and 2012 amounted to \$55,819 and \$68,853, respectively.

(7) **Lighthouse Works!, Inc.**

Lighthouse Works, Inc. (LW) was incorporated in 2011 and operates a number of business lines employing a labor force in which a minimum of 75% of the direct labor force are individuals with blindness or severe vision impairment. Those lines of business include a customer contact center (call center), sourcing and fulfillment, training and consulting. For the years ended September 30, 2013 and 2012, Lighthouse Works had \$2,934,710 and \$113,763, respectively of revenue, which has been included in the consolidated revenue amounts on the September 30, 2013 and 2012 Statements of Activities. Expenses for LW are shown separately on the Statements of Functional Expenses for September 30, 2013 and 2012.

SUPPLEMENTARY INFORMATION

LIGHTHOUSE CENTRAL FLORIDA, INC.

Consolidating Statement of Financial Position

September 30, 2013

Schedule 1

	<u>Assets</u>			<u>Consolidated</u>
	<u>LFC</u>	<u>LHW</u>	<u>Eliminations</u>	<u>Totals</u>
Current Assets:				
Cash and cash equivalents	\$ 281,042	161,470	-	\$ 442,512
Investments	1,890,794	-	(394,008)	1,496,786
Accounts receivable	-	152,653	-	152,653
Intercompany receivables	39,453	-	(39,453)	-
Grant and other receivables	332,969	23,000	-	355,969
Pledges receivable	56,280	-	-	56,280
Prepaid expenses	-	4,344	-	4,344
Inventory	5,512	1,369	-	6,881
Total current assets	2,606,050	342,836	(433,461)	2,515,425
Land, building and equipment, net	1,920,365	99,266	-	2,019,631
Loan financing costs - net of \$3,714 of accumulated amortization	3,377	-	-	3,377
Pledges receivable, less current portion	33,939	-	-	33,939
Deposits	119,485	9,802	-	129,287
Total assets	<u>\$ 4,683,216</u>	<u>451,904</u>	<u>(433,461)</u>	<u>4,701,659</u>

Liabilities and Net Assets

Current Liabilities:				
Accounts payable	\$ 4,300	123,104	-	127,404
Intercompany payables		39,453	(39,453)	-
Accrued expenses	164,813	16,858	-	181,671
Current maturities of long-term debt	25,222	-	-	25,222
Total current liabilities	194,335	179,415	(39,453)	334,297
Long-term debt, less current maturities	572,657	-	-	572,657
Total liabilities	766,992	179,415	(39,453)	906,954
Net assets	3,916,224	272,489	(394,008)	3,794,705
Total liabilities and net assets	<u>\$ 4,683,216</u>	<u>451,904</u>	<u>(433,461)</u>	<u>4,701,659</u>

LIGHTHOUSE CENTRAL FLORIDA, INC.

Consolidating Statement of Activities

Year ended September 30, 2013

Schedule 2

	<u>LFC</u>	<u>LHW</u>	<u>Eliminations</u>	<u>Consolidated Totals</u>
Revenue and Other Support:				
Florida Department of Education	\$ 2,076,813	-	-	2,076,813
Local government grants	96,084	-	-	96,084
Foundations	136,778	-	-	136,778
United Way Heart of Florida	39,025	-	-	39,025
United Way - Designations	35,143	-	-	35,143
Contributions	179,755	76,393	-	256,148
Fund raising	185,953	-	-	185,953
Client fees and contracts	18,515	-	-	18,515
Product and service sales	-	2,858,317	-	2,858,317
Management fee - Lighthouse Works!	216,613	-	(216,613)	-
Investment income	139,833	-	-	139,833
Total revenue and public support	<u>3,124,512</u>	<u>2,934,710</u>	<u>(216,613)</u>	<u>5,842,609</u>
Expenses:				
Program services:				
Adult and family services	1,022,839	-	-	1,022,839
Children and family services	872,823	-	-	872,823
Employment services	430,861	-	-	430,861
Lighthouse Works!, Inc.	216,613	3,056,229	(216,613)	3,056,229
Total program services	<u>2,543,136</u>	<u>3,056,229</u>	<u>(216,613)</u>	<u>5,382,752</u>
Supporting services:				
Management and general	117,116	-	-	117,116
Fund raising	328,524	-	-	328,524
Total supporting services	<u>445,640</u>	<u>-</u>	<u>-</u>	<u>445,640</u>
Total expenses	<u>2,988,776</u>	<u>3,056,229</u>	<u>(216,613)</u>	<u>5,828,392</u>
Change in net assets	135,736	(121,519)	-	14,217
Net assets at September 30, 2012	<u>3,780,488</u>	<u>-</u>	<u>-</u>	<u>3,780,488</u>
Net assets at September 30, 2013	<u>\$ 3,916,224</u>	<u>(121,519)</u>	<u>-</u>	<u>3,794,705</u>

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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 Central Florida, Inc.

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 consolidated financial statements of Lighthouse Central Florida, Inc., which comprise the consolidated statement of financial position as of September 30, 2013, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 8, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Lighthouse Central Florida, Inc.'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lighthouse Central Florida, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Lighthouse Central Florida, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lighthouse Central Florida, Inc.'s consolidated 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 consolidated 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 Organization'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 Organization's internal control and compliance. Accordingly this communication is not suitable for any other purpose.

Scharfer, Tschopp, Whiteman, Mitchell & Shulman, LLP

Altamonte Springs, Florida
November 8, 2013

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Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by OMB Circular A-133 and the Florida Single Audit Act

To the Board of Directors
Lighthouse Central Florida, Inc.

Report on Compliance for Each Major Federal Program and State Project

We have audited the compliance of Lighthouse Central Florida, Inc., with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and in the State of Florida *State Projects Compliance Supplement* that could have a direct and material effect on each of Lighthouse Central Florida, Inc.'s major federal programs and state projects for the year ended September 30, 2013. Lighthouse Central Florida, Inc.'s major federal programs and state projects are identified in the summary of the auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lighthouse Central Florida, Inc.'s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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 of America; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Section 215.97 of the Florida Statutes of the Florida Single Audit Act. These standards, OMB Circular A-133 and the Florida Single Audit Act 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 or state project occurred. An audit includes examining, on test basis, evidence about Lighthouse Central Florida, Inc.'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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Lighthouse Central Florida, Inc.'s compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Lighthouse Central Florida, Inc. complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2013.

Report on Internal Control Over Compliance

The Management of Lighthouse Central Florida, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements referred to above. In planning and performing our audit of compliance, we considered Lighthouse Central Florida, Inc.'s internal control over compliance with the types of requirements that could have a direct material effect on each major federal program and state project to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Florida Single Audit Act, 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 Lighthouse Central Florida, Inc.'s internal control over compliance.

A deficiency in an 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the Florida Single Audit Act. Accordingly, this report is not suitable for any other purpose.

Schatz, Tschoff, Whitcomb, Mitchell & Shulman, LLP

Altamonte Springs, Florida
November 8, 2013

SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

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Management Letter

To the Board of Directors
Lighthouse Central Florida, Inc.:

We have audited the financial statements of the Lighthouse Central Florida, Inc., as of and for the fiscal year ended September 30, 2013, and have issued our report thereon dated November 8, 2013.

We conducted our audit in accordance with United States generally accepted auditing standards; 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*. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated August 6, 2007, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.650, Rules of the Auditor General.

The Rules of Auditor General (Section 10.654(1)(d)) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations, and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. Our audit disclosed no such matters required to be disclosed.

This management letter is intended solely for the information of Lighthouse Central Florida, Inc. and management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Schafer, Tschopp, Whitcomb, Mitchell & Sheridan, LLP

November 8, 2013
Altamonte Springs, Florida

Lighthouse Central Florida, Inc.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2013

A. Summary of Audit Results

1. The Auditor's report expresses an unqualified opinion on the consolidated financial statements of Lighthouse Central Florida, Inc.
2. No reportable conditions were disclosed during the audit of compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with government auditing standards.
3. No instances of noncompliance material to the consolidated financial statements of Lighthouse Central Florida, Inc. were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of compliance with requirements applicable to each federal program or state project and internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.650, Rules of the Auditor General.
5. The auditor's report on compliance for the major federal award programs and state projects for Lighthouse Central Florida, Inc. expresses an unqualified opinion.
6. There are no audit findings relative to the major federal programs and state projects for Lighthouse Central Florida, Inc.
7. The programs tested as major programs were the Vocational Rehabilitation, Title I Program and Transition Services Program.
8. The threshold for distinguishing Types A and B programs/projects was \$300,000.
9. The auditee did qualify as a low-risk auditee.

B. Findings - Financial Statements

None

(Continued)

Lighthouse Central Florida, Inc.
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2013

C. Findings and Questioned Costs - Major Federal Programs

None

D. Findings and Questioned Costs - Major State Projects

None

E. Other Issues

No Summary Schedule of Prior Audit Findings (See AG Rules 10.557(3)(d)5. and 10.656(3)(d)5.) is required because there were no prior audit findings related to Federal programs or State projects; no Corrective Action Plan (see AG Rules 10.557(3)(d)6. and 10.656(3)(d)6.) is required because there were no findings required to be reported under the Federal or Florida Single Audit Acts.

LIGHTHOUSE CENTRAL FLORIDA, INC.

Schedule of Expenditures of Federal Awards and State Projects

Year ended September 30, 2013

Grantor/ Pass-Through Grantor/ Program Title	Period of Award	Federal CFDA Number	State CSFA Number	Contract Number	Expenditures
Federal Awards					
Major Programs:					
U.S. Department of Education: Passed through the State of Florida, Department of Education:					
Transport Reimbursement	10/1/12 - 9/30/13	N/A	N/A	N/A	\$ 28,830
Independent Living, Title VII	7/1/12 - 12/31/13	84.1169	48.062	13-520	71,050
Vocational Rehabilitation, Title I	10/1/12 - 3/31/14	84.126	48.062	13-535	446,852
Supported Employment Services - Developmental Disabilities	10/1/12 - 9/30/13	84.126	N/A	13-561	246,400
Transition Services	10/1/12 - 3/31/14	84.126	N/A	13-551	364,800
Total Federal Awards					\$ 1,157,932

(Continued)

LIGHTHOUSE CENTRAL FLORIDA, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)

Year ended September 30, 2013

Grantor/ Pass-Through Grantor/ Program Title	Period of Award	Federal CFDA Number	State CSFA Number	Contract Number	Expenditures
<u>State Financial Assistance</u>					
State of Florida, Department of Education: Blind babies program	7/1/12 - 12/31/13	N/A	48.062	13-512	\$ 223,353
Independent Living, Title VII	7/1/12 - 12/31/13	N/A	48.062	13-520	355,250
Vocational Rehabilitation, Title I	10/1/12 - 3/31/14	N/A	48.062	13-535	121,078
Vocational Rehabilitation Transition Services Adult Program	10/1/12 - 3/31/14 7/1/12 - 12/31/13	N/A N/A	N/A 48.044	13-551 13-569	182,400 36,800
Total expenditures State financial assistance					<u>918,881</u>
Total Federal award and State financial assistance					<u>\$ 2,076,813</u>

Note 1: Basis of Presentation

The accompanying schedule of Federal and State expenditures includes the grant activity of Lighthouse Central Florida, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Section 215.97 of the Florida Statutes of the Florida Single Audit Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.