

**LIGHTHOUSE FOR THE BLIND  
AND VISUALLY IMPAIRED**

*(A California Nonprofit Public Benefit Corporation)*

**FINANCIAL STATEMENTS**

**AND**

**INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED SEPTEMBER 30, 2005 AND 2004**

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED  
*(A California Nonprofit Public Benefit Corporation)*  
FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2005 AND 2004

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

JAMES M. KRAFT  
S. SCOTT SEAMANDS  
MARK O. BRITTAIN  

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ALEXIS H. WONG  
CHARLOTTE SIEW-KUN TAY  
CATHY L. HWANG

### INDEPENDENT AUDITOR'S REPORT

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, 2005 and 2004, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of LightHouse for the Blind and Visually Impaired'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. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances 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 express no such opinion. An audit also 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, 2005 and 2004, and the changes in its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

December 7, 2005

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Cash	\$ 1,454,303	\$ 778,215
Receivables:		
LightHouse Enterprises	361,774	719,121
Fees for service	255,218	247,391
Contributions and bequests	384,379	112,178
Other	36,340	8,780
Inventories	260,923	244,862
Prepaid expenses and deposits	310,930	74,858
Investments (Note 3)	27,691,654	23,876,910
Property and equipment – net (Note 4)	2,392,876	2,444,851
	<u>\$ 33,148,397</u>	<u>\$ 28,507,166</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 353,610	\$ 270,041
Note payable (Note 5)	800,000	-
	<u>1,153,610</u>	<u>270,041</u>
Net assets:		
Unrestricted:		
Designated by the board of directors for operations	20,975,711	17,025,413
Designated by the board of directors for capital assets and acquisitions	9,944,851	9,944,851
Total unrestricted net assets	<u>30,920,562</u>	<u>26,970,264</u>
Temporarily restricted (Note 6)	946,517	1,139,753
Permanently restricted (Note 7)	127,708	127,108
	<u>31,994,787</u>	<u>28,237,125</u>
Total net assets	<u>\$ 33,148,397</u>	<u>\$ 28,507,166</u>
Total liabilities and net assets	<u>\$ 33,148,397</u>	<u>\$ 28,507,166</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

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2005			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Bequests	\$ 1,520,904	\$ -	\$ -	\$ 1,520,904
Other contributions	338,919	75,475	600	414,994
LightHouse Enterprises (Note 1)	2,240,283	-	-	2,240,283
Government grants and other program fees	735,181	-	-	735,181
Interest and dividend income	537,373	-	-	537,373
Other income	15,565	-	-	15,565
Net assets released from restrictions (Note 6)	268,711	(268,711)	-	-
Total support and revenue	<u>5,656,936</u>	<u>(193,236)</u>	<u>600</u>	<u>5,464,300</u>
Expenses:				
Program services:				
Community and Information Services	980,553	-	-	980,553
Rehabilitation Services	1,250,460	-	-	1,250,460
LightHouse Enterprises	1,747,876	-	-	1,747,876
Supporting services:				
Management and general	457,248	-	-	457,248
Fundraising	376,874	-	-	376,874
Total expenses	<u>4,813,011</u>	<u>-</u>	<u>-</u>	<u>4,813,011</u>
Change in net assets from operations	843,925	(193,236)	600	651,289
Realized and unrealized gains on marketable securities	<u>3,106,373</u>	<u>-</u>	<u>-</u>	<u>3,106,373</u>
Change in net assets	3,950,298	(193,236)	600	3,757,662
Net assets, beginning of year	<u>26,970,264</u>	<u>1,139,753</u>	<u>127,108</u>	<u>28,237,125</u>
Net assets, end of year	<u>\$ 30,920,562</u>	<u>\$ 946,517</u>	<u>\$ 127,708</u>	<u>\$31,994,787</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

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2004			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Support and revenue:				
Bequests	\$ 891,462	\$ -	\$ -	\$ 891,462
Other contributions	343,124	23,932	6,675	373,731
LightHouse Enterprises (Note 1)	1,620,371	-	-	1,620,371
Government grants and other program fees	717,876	-	-	717,876
Interest and dividend income	484,027	-	-	484,027
Other income	35,105	-	-	35,105
Net assets released from restrictions (Note 6)	285,796	(285,796)	-	-
Total support and revenue	4,377,761	(261,864)	6,675	4,122,572
Expenses:				
Program services:				
Community and Information Services	984,016	-	-	984,016
Rehabilitation Services	1,390,187	-	-	1,390,187
LightHouse Enterprises	1,343,041	-	-	1,343,041
Supporting services:				
Management and general	507,618	-	-	507,618
Fundraising	414,761	-	-	414,761
Total expenses	4,639,623	-	-	4,639,623
Change in net assets from operations	(261,862)	(261,864)	6,675	(517,051)
Realized and unrealized gains on marketable securities	3,038,804	-	-	3,038,804
Change in net assets	2,776,942	(261,864)	6,675	2,521,753
Net assets, beginning of year	24,193,322	1,401,617	120,433	25,715,372
Net assets, end of year	\$ 26,970,264	\$ 1,139,753	\$ 127,108	\$28,237,125

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

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2005						
	Program Services				Supporting Services		
	Community and Information	Rehabilitation Services	LightHouse Enterprises	Program Services Total	Management and General	Fundraising	Total
Personnel	\$ 475,581	\$ 854,628	\$ 629,866	\$ 1,960,075	\$ 303,437	\$ 259,768	\$ 2,523,280
Occupancy	20,202	51,980	153,841	226,023	9,766	5,455	241,244
Insurance	12,078	12,259	20,963	45,300	12,863	3,130	61,293
Training and conference expense	11,431	28,548	15,577	55,556	3,746	12,336	71,638
Board expense	-	-	-	-	8,494	-	8,494
Office supplies and equipment	7,495	12,413	47,093	67,001	5,692	2,477	75,170
Postage and printing	5,841	6,238	6,069	18,148	3,906	4,313	26,367
Telephone	10,149	10,465	9,716	30,330	2,230	1,246	33,806
Outside services	210,285	18,775	22,548	251,608	74,489	5,875	331,972
Program costs	132,118	185,688	15,475	333,281	9,915	9,459	352,655
Program marketing and public relations	10,977	18,472	21,291	50,740	-	60,622	111,362
Miscellaneous	5,880	1,017	15,140	22,037	1,104	-	23,141
Special events	6,179	10,388	11,955	28,522	5,285	3,076	36,883
Depreciation and amortization	72,337	39,589	47,988	159,914	16,321	9,117	185,352
Cost of raw materials	-	-	699,007	699,007	-	-	699,007
Shipping and delivery	-	-	31,347	31,347	-	-	31,347
	<u>\$ 980,553</u>	<u>\$ 1,250,460</u>	<u>\$ 1,747,876</u>	<u>\$ 3,978,889</u>	<u>\$ 457,248</u>	<u>\$ 376,874</u>	<u>\$ 4,813,011</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

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2004						
	Program Services				Supporting Services		Total
	Community and Information	Rehabilitation Services	LightHouse Enterprises	Program Services Total	Management and General	Fundraising	
Personnel	\$ 522,904	\$ 915,230	\$ 520,980	\$ 1,959,114	\$ 372,015	\$ 272,242	\$ 2,603,371
Occupancy	26,311	65,481	124,589	216,381	7,229	7,229	230,839
Insurance	13,461	15,566	17,129	46,156	10,832	3,665	60,653
Training and conference expense	15,829	32,575	12,142	60,546	3,528	13,996	78,070
Board expense	-	-	-	-	15,327	-	15,327
Office supplies and equipment	12,233	22,281	28,507	63,021	4,981	4,095	72,097
Postage and printing	4,714	4,076	1,918	10,708	1,925	3,815	16,448
Telephone	9,669	11,015	7,892	28,576	1,405	1,585	31,566
Outside services	201,555	42,021	27,816	271,392	72,498	28,829	372,719
Program costs	85,254	200,875	12,145	298,274	6,663	14,614	319,551
Program marketing and public relations	11,340	21,250	14,844	47,434	-	54,580	102,014
Miscellaneous	247	-	7,957	8,204	1,104	-	9,308
Special events	8,573	15,418	9,711	33,702	-	-	33,702
Depreciation and amortization	71,762	44,136	37,030	152,928	10,111	10,111	173,150
Cost of raw materials	-	-	499,505	499,505	-	-	499,505
Shipping and delivery	164	263	20,876	21,303	-	-	21,303
	<u>\$ 984,016</u>	<u>\$ 1,390,187</u>	<u>\$ 1,343,041</u>	<u>\$ 3,717,244</u>	<u>\$ 507,618</u>	<u>\$ 414,761</u>	<u>\$ 4,639,623</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 CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,757,662	\$ 2,521,753
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	185,352	173,150
Realized and unrealized gain on marketable securities	(3,106,373)	(3,038,804)
Donated securities	-	(30,459)
Donated property and equipment	(17,400)	(7,000)
(Increase) decrease in assets:		
Accounts receivable	49,759	(847,777)
Inventories	(16,061)	(58,373)
Prepaid expenses and deposits	(236,072)	25,512
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	83,569	(106,319)
Net cash provided by (used in) operating activities	<u>700,436</u>	<u>(1,368,317)</u>
Cash flows from investing activities:		
Net (increase) decrease in investments	(708,371)	1,087,408
Purchase of property and equipment	(115,977)	(86,987)
Net cash provided by (used in) investing activities	<u>(824,348)</u>	<u>1,000,421</u>
Cash flows from financing activities:		
Proceeds from note payable	<u>800,000</u>	<u>-</u>
Net cash provided by financing activities	<u>800,000</u>	<u>-</u>
Increase (decrease) in cash	676,088	(367,896)
Cash, beginning of year	<u>778,215</u>	<u>1,146,111</u>
Cash, end of year	<u>\$ 1,454,303</u>	<u>\$ 778,215</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

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

**NOTE 1 – ORGANIZATION AND PROGRAM SERVICES**

LightHouse for the Blind and Visually Impaired (LightHouse) provides a variety of programs to adults, children and seniors who are blind or visually impaired, at five locations: San Francisco, Marin, Napa, Oakland and Humboldt/Del Norte counties.

Prior to September 23, 2004, the name of the organization was Rose Resnick LightHouse for the Blind and Visually Impaired.

*Community and Information Services*

- Access to information services connects the individual to the visual world in which he or she lives. This is accomplished through facilitating access to printed information such as newspapers and magazines using recording services, broadcast programming, Braille translation and the Internet.
- Volunteer services recruits personal service volunteers to help blind and low-vision individuals both at home and in the community.
- Enchanted Hills Camp is a 311-acre camp in Napa Valley that provides blind, visually impaired, deaf/blind and multi-disabled children, adults and seniors with a traditional summer camping experience.
- The adult program serves blind and low-vision seniors and working-age adults and is designed to foster intellectual, social and physical well-being through educational and recreational activities.
- Children and youth programs provide weekly activities within settings where vision loss is the norm rather than the exception.

*Rehabilitation Services*

- Individual counseling and support groups for individuals and families adjusting to vision loss.
- Deaf/blind services provide information and referral, advocacy, education and training for persons with multiple sensory losses.
- Rehabilitation training teaches daily living skills and assists in setting up the home to accommodate a recent loss of vision.
- Orientation and mobility training provides instruction on white-cane travel, the use of low-vision aids, travel training and orientation to neighborhoods, schools, hospitals, and other areas of the community.
- Technology services offers instruction in assistive computer technology through classes, individual instruction, open lab and equipment evaluation.
- The Taxi Voucher Program, coordinated with the San Francisco Department of Public Health, provides taxi rides to medical appointments for low-income disabled San Franciscans.
- Employment services at LightHouse are provided by the Sensory Access Foundation and includes employment preparation, job development and placement.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

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 and San Rafael. Products may also be purchased through mail order.

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.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Accounting Method

LightHouse uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

LightHouse reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets includes the portion of net assets that are neither temporarily nor permanently restricted by donor-imposed stipulations.

Currently, LightHouse budgets both investment income generated from investments and bequest income as part of its annual operating revenues. The financial goal of LightHouse is to build a reserve that allows only a percentage of interest income to be used for operations therefore protecting the corpus to insure program stability. To balance the current operating budget with cost of living increases considered, it is the goal of LightHouse to have reserves in excess of \$30 million.

Temporarily Restricted Net Assets

Temporarily restricted net assets includes the portion of net assets whose use by LightHouse is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of LightHouse.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

*(A California Nonprofit Public Benefit Corporation)*

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

Permanently Restricted Net Assets

Permanently restricted net assets include the portion of net assets whose use by LightHouse is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by actions of LightHouse.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as unrestricted support, temporarily restricted support, or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a donor's restrictions are satisfied in the same period that the contribution is received, the contribution is reported as unrestricted support.

Government contracts, which are funded on a reimbursement basis, are shown as unrestricted revenue.

Contributed services are stated at their estimated fair value, if they are ordinarily purchased and are of a specialized nature.

LightHouse is the beneficiary under various wills and trusts, the total realizable amount of which is not presently determinable. Such amounts are recognized as bequest support when clear title is established and the proceeds are measurable.

Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. LightHouse typically maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance was approximately \$1,403,000 as of September 30, 2005. LightHouse has not experienced any losses in such accounts. Management believes that it is not exposed to any significant cash credit risk.

Accounts Receivable

Management elects to record bad debts using the direct write off method. Accounting principles generally accepted in the United States of America require that the allowance method be used to reflect bad debts. However, the effect of the use of the direct write off method is not materially different from the result that would be obtained had the allowance method been followed.

Inventories

Inventories are valued at cost on the first-in, first-out (FIFO) basis, or market, whichever is lower. Inventories at September 30, 2005 and 2004 consist of \$115,814 and \$137,315, respectively, of goods held for resale to aid blind and disabled people and \$145,109 and \$107,547, respectively, of materials for use in LightHouse Industries.

Investments

Investments are stated at fair value.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

Property and Equipment

Property and equipment is stated at cost of acquisition or construction, or fair value if donated. The cost of maintenance and repairs is charged to expense as incurred. Depreciation is computed based on the straight-line method over the estimated useful lives of the assets, or production hours for some equipment used in LightHouse Industries.

The useful lives of the assets are estimated as follows:

Land improvements	10 to 20 years
Buildings and improvements	10 to 40 years
Furniture and equipment	3 to 10 years

Income Taxes

LightHouse is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections. In addition, contributions to LightHouse qualify for the charitable contribution deduction and LightHouse is classified as an organization other than a private foundation under Section 509(a).

Functional Expenses Allocation

The costs of providing program services and supporting services are summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

**NOTE 3 – INVESTMENTS**

LightHouse's investment portfolio at September 30, 2005 and 2004 is as follows:

	2005		2004	
	Costs	Market	Cost	Market
Mutual funds	\$ 22,520,416	\$ 27,690,954	\$ 21,098,602	\$ 23,876,210
Other investments	700	700	700	700
Total investments	22,521,116	27,691,654	21,099,302	23,876,910
Money market fund	22,592	22,592	116,912	116,912
	<u>\$ 22,543,708</u>	<u>\$ 27,714,246</u>	<u>\$ 21,216,214</u>	<u>\$ 23,993,822</u>

LightHouse's investment portfolio is invested in mutual funds to achieve an asset allocation strategy approved by the board of directors that is designed to maximize return and minimize risk.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows:

	2005	2004
Land	\$ 423,390	\$ 423,390
Land improvements	324,208	321,573
Buildings and improvements	2,890,051	2,833,927
Furniture and equipment	1,310,835	1,236,217
	<u>4,948,484</u>	<u>4,815,107</u>
Less: accumulated depreciation and amortization	<u>(2,555,608)</u>	<u>(2,370,256)</u>
	<u>\$ 2,392,876</u>	<u>\$ 2,444,851</u>

Depreciation and amortization expense for the years ended September 30, 2005 and 2004 amounted to \$185,352 and \$173,150, respectively.

**NOTE 5 – NOTE PAYABLE**

LightHouse has a loan payable in the original amount of \$800,000 from Bank of America which was used to purchase equipment. The loan bears interest at 6.125%. The loan shall be repaid in monthly installments of \$15,513 with the entire balance due in September 2010. The loan is collateralized by a first deed of trust on LightHouse's real property.

Principal payments on note payable for the next five years are as follows:

2006	\$ 141,070
2007	149,957
2008	159,404
2009	169,447
2010	180,122

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are for the following purposes:

	2005			
	<i>September 30, 2004</i>	<i>Contributions and Interest</i>	<i>Releases from Restrictions</i>	<i>September 30, 2005</i>
Enchanted Hills Camp	\$ 1,132,383	\$ 56,871	\$ (255,507)	\$ 933,747
Client support services	3,889	-	(320)	3,569
Development	-	45	(45)	-
Education and recreation	3,000	18,559	(12,839)	8,720
Rehabilitation services	481	-	-	481
	<u>\$ 1,139,753</u>	<u>\$ 75,475</u>	<u>\$ (268,711)</u>	<u>\$ 946,517</u>

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	<i>2004</i>			
	<i>September 30, 2003</i>	<i>Contributions and Interest</i>	<i>Releases from Restrictions</i>	<i>September 30, 2004</i>
Enchanted Hills Camp	\$ 1,354,547	\$ 20,932	\$ (243,096)	\$ 1,132,383
Client support services	41,589	-	(37,700)	3,889
Development	5,000	-	(5,000)	-
Education and recreation	-	3,000	-	3,000
Rehabilitation services	481	-	-	481
	<u>\$ 1,401,617</u>	<u>\$ 23,932</u>	<u>\$ (285,796)</u>	<u>\$ 1,139,753</u>

**NOTE 7 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are restricted to investment in perpetuity, the income of which is expendable to support the following program services:

	<i>2005</i>		
	<i>September 30, 2004</i>	<i>Contributions</i>	<i>September 30, 2005</i>
Multi-disabled adult campers	\$ 81,108	\$ 600	\$ 81,708
Campers from Alameda County	36,000	-	36,000
Education and recreation related activities	10,000	-	10,000
	<u>\$ 127,108</u>	<u>\$ 600</u>	<u>\$ 127,708</u>

	<i>2004</i>		
	<i>September 30, 2003</i>	<i>Contributions</i>	<i>September 30, 2004</i>
Multi-disabled adult campers	\$ 74,433	\$ 6,675	\$ 81,108
Campers from Alameda County	36,000	-	36,000
Education and recreation related activities	10,000	-	10,000
	<u>\$ 120,433</u>	<u>\$ 6,675</u>	<u>\$ 127,108</u>

For the years ended September 30, 2005 and 2004, income from permanently restricted net assets totaled \$4,796 and \$4,286, respectively, which was used to support the above program services.

LIGHTHOUSE FOR THE BLIND AND VISUALLY IMPAIRED

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2005 AND 2004

**NOTE 8 – OPERATING LEASES**

LightHouse leases space and office equipment under certain operating leases. The following represents the future minimum lease payments:

	<u>Year Ending September 30,</u>	
2006	\$	121,183
2007		119,958
2008		126,549
2009		<u>63,178</u>
	\$	<u>430,868</u>

Space rental expense in 2005 and 2004 amounted to \$149,164 and \$126,310, respectively. Office equipment rental expense in 2005 and 2004 amounted to \$14,142 and \$13,426, respectively.

**NOTE 9 – PENSION PLAN**

LightHouse has a defined contribution pension plan which covers substantially all its staff. LightHouse makes contributions to the plan, which operates on a calendar year, at a rate approved by the board of directors. The board of directors approved a contribution of 5% of eligible salaries for calendar years ended December 31, 2004 and 2003. For the years ended September 30, 2005 and 2004, the cost to LightHouse is estimated to be \$72,000 and \$66,000, respectively.

**NOTE 10 – CONCENTRATIONS AND COMMITMENTS**

LightHouse has a contract to produce a toilet tissue product in specified quantities for the U.S. Government that will expire in September 2006. For the years ended September 30, 2005 and 2004, sales under the contract were approximately \$1,704,000 and \$1,267,000, respectively, representing approximately 90% and 78%, respectively, of total LightHouse Enterprises sales. In addition, approximately 90% and 80% of LightHouse Enterprises' accounts receivable at September 30, 2005 and 2004, respectively, were also related to this U.S. Government contract.

For the years ended September 30, 2005 and 2004, approximately 90% of total bequests were received from five estates and 65% of total bequests were received from three estates, respectively. Five bequests represent approximately 93% of total bequest and contribution receivable at September 30, 2005. One bequest represents approximately 80% of total bequest and contribution receivable at September 30, 2004.