

**Little Light House, Inc.
dba The Little Light House**

Consolidated Financial Statements
and
Report of Independent Certified Public Accountants

June 30, 2010 and 2009





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Report of Independent Certified Public Accountants

Board of Directors
Little Light House, Inc.

We have audited the accompanying consolidated statements of financial position of Little Light House, Inc. dba The Little Light House, as of June 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Little Light House's management. 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. 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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Little Light House, Inc. as of June 30, 2010 and 2009, 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.

Tulsa, Oklahoma
October 29, 2010

Stanfield & O'Dell P.C.



Consolidated Statements of Financial Position

June 30,

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 486,985	\$ 340,904
Certificates of deposit	146,961	141,015
Pledges receivable, net	248,132	73,894
Other receivables	685	2,968
Prepaid expense and other assets	34,252	56,015
Total current assets	917,015	614,796
Pledges receivable, net	216,713	22,485
Investment in limited partnership	189,000	189,000
Beneficial interest in assets held by others	3,570	6,233
Other long term asset	102,504	91,981
Property, Plant and Equipment		
Land	1,678,875	1,678,875
Construction in progress	1,101,448	260,830
Building and improvements	1,622,914	1,622,914
Classroom and playground equipment	105,574	103,053
Furniture and fixtures	224,238	213,971
	4,733,049	3,879,643
Less accumulated depreciation	1,315,827	1,250,449
Net property and equipment	3,417,222	2,629,194
 Total assets	 \$ 4,846,024	 \$ 3,553,689
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 5,183	\$ 9,442
Accrued liabilities	23,798	26,548
Total current liabilities	28,981	35,990
Net Assets		
Unrestricted	3,830,177	3,220,527
Temporarily restricted	869,321	179,627
Permanently restricted	117,545	117,545
Total net assets	4,817,043	3,517,699
 Total liabilities and net assets	 \$ 4,846,024	 \$ 3,553,689

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

Little Light House, Inc. dba The Little Light House



Consolidated Statements of Activities

Years ended June 30,

	2010	2009
Changes in unrestricted net assets		
Revenue:		
Contributions	\$ 767,062	\$ 851,623
Fund-raising events, net of fund-raising expenses	640,968	622,886
Donated materials and services	15,666	29,016
Other income	55,330	54,893
Net assets released from restrictions	940,307	463,783
	<u>2,419,333</u>	<u>2,022,201</u>
Total revenue		
Expenses:		
Program	1,433,468	1,581,906
Management and general	257,766	276,359
Fund-raising	118,449	176,944
	<u>1,809,683</u>	<u>2,035,209</u>
Total expenses		
Increase (decrease) in unrestricted net assets	<u>609,650</u>	<u>(13,008)</u>
Changes in temporarily restricted net assets		
Contributions	1,630,001	415,195
Net assets released from restrictions	(940,307)	(463,783)
	<u>689,694</u>	<u>(48,588)</u>
Increase (decrease) in temporarily restricted net assets		
Increase (decrease) in net assets	1,299,344	(61,596)
Net assets, beginning of year	<u>3,517,699</u>	<u>3,579,295</u>
Net assets, end of year	<u>\$ 4,817,043</u>	<u>\$ 3,517,699</u>

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



Consolidated Statements of Functional Expenses

Years ended June 30,

2010	Program	Management and General	Fund Raising	Total
Salaries and taxes	\$ 1,081,282	\$ 184,937	\$ 92,246	\$ 1,358,465
Insurance	121,859	13,008	9,792	144,659
Community awareness	41,574	-	7,448	49,022
Depreciation	60,475	3,203	1,700	65,378
Professional fees	8,671	38,124	4,202	50,997
Repairs and maintenance	36,218	5,857	903	42,978
Utilities	30,190	1,599	849	32,638
Other	18,395	5,825	718	24,938
Supplies	11,589	728	520	12,837
Educational tools	5,267	-	-	5,267
Training conferences	11,632	-	-	11,632
Postage	2,563	4,485	71	7,119
Outreach	3,753	-	-	3,753
	<u>\$ 1,433,468</u>	<u>\$ 257,766</u>	<u>\$ 118,449</u>	<u>\$ 1,809,683</u>
2009				
Salaries and taxes	\$ 1,099,452	\$ 202,882	\$ 138,036	\$ 1,440,370
Insurance	149,387	16,572	12,836	178,795
Community awareness	94,079	-	379	94,458
Depreciation	62,294	3,300	1,751	67,345
Professional fees	12,099	33,167	11,943	57,209
Repairs and maintenance	42,378	4,410	1,998	48,786
Utilities	36,740	3,160	1,796	41,696
Other	24,714	6,546	5,483	36,743
Supplies	20,095	808	578	21,481
Educational tools	14,488	-	-	14,488
Training conferences	13,102	-	-	13,102
Postage	2,553	5,514	2,144	10,211
Outreach	10,525	-	-	10,525
	<u>\$ 1,581,906</u>	<u>\$ 276,359</u>	<u>\$ 176,944</u>	<u>\$ 2,035,209</u>

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



Consolidated Statements of Cash Flows

Years ended June 30,

	2010	2009
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 1,299,344	\$ (61,596)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Depreciation	65,378	67,345
Donations restricted for long-term assets	(1,189,742)	(286,135)
(Increase) decrease in:		
Pledges receivable	(368,466)	(78,285)
Other receivables	2,283	735
Prepaid expenses and other assets	21,763	67,541
Increase (decrease) in:		
Accounts payable	(4,259)	(1,187)
Accrued liabilities	(2,750)	(9,714)
Deferred revenue	-	(7,500)
Net cash used in operating activities	<u>(176,449)</u>	<u>(308,796)</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(150,470)	(532,497)
Proceeds from maturity of certificates of deposit	144,524	970,652
Increase in beneficial interest in asset held by others	2,663	(2,785)
Increase in other long-term assets	(10,523)	(91,981)
Additions to property, plant and equipment	<u>(853,406)</u>	<u>(394,169)</u>
Net cash used in investing activities	<u>(867,212)</u>	<u>(50,780)</u>
Cash flows from financing activities		
Donations restricted for long-term assets	<u>1,189,742</u>	<u>286,135</u>
Increase (decrease) in cash	146,081	(73,441)
Cash, beginning of year	<u>340,904</u>	<u>414,345</u>
Cash, end of year	<u><u>\$ 486,985</u></u>	<u><u>\$ 340,904</u></u>

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

Notes to Consolidated Financial Statements

June 30, 2010 and 2009



Note A – Operations and Summary of Significant Accounting Policies

1. *Organization and Consolidation*

The Little Light House's (LLH) consolidated financial statements include two affiliated entities, The Little Light House Foundation, Inc. ("The Foundation") and The Little Light House Title Holding Corporation ("Title Holding Corp."). The Foundation was incorporated as a supporting organization as defined by Section 509(a)(3) of the Internal Revenue Code. The Foundation is to be operated exclusively for the benefit of the LLH and affiliate organizations. Title Holding Corp. was incorporated as a non-profit organization under the provisions of Section 501(c)(2) of the Internal Revenue Code. Little Light House, Inc. is the sole member of Title Holding Corp., which is to be operated exclusively to hold title to property on behalf of the LLH.

On September 1, 2009, the Board of Directors of the LLH voted to transfer the land and buildings (net of depreciation) of the existing facility of \$1,201,695 to the Title Holding Corp. In addition, the Board of Directors of the LLH voted to transfer the Memorial Fund of \$40,950 to the Foundation.

2. *Operations*

Little Light House, Inc. dba The Little Light House is a 501(c)(3) Christian developmental center, providing tuition-free, Christian based, state-of-the-art special educational and therapeutic services to infants and children with developmental disabilities, for ages birth through 6 years of age, regardless of race, religion, gender, or economic status. LLH, located in Tulsa, Oklahoma, derives its sole support through private donations from the community and from fund-raising activities.

3. *Cash, Cash Equivalents and Certificates of Deposit*

Cash and cash equivalents consist of cash on deposit at financial institutions, money market instruments and certificates of deposit with an initial maturity of less than three months. LLH utilizes multiple financial institutions to minimize deposit risks. At June 30, 2010, LLH had no deposits in excess of Federal Deposit Insurance Corporation's (FDIC) coverage of \$250,000 per financial institution.

Certificates of deposit consist of instruments with an initial maturity of three months or greater. The certificates of deposit held as of June 30, 2010, are expected to mature during the year ending June 30, 2011. The certificates of deposit are stated at cost, which approximates market.

4. *Investment in Limited Partnership*

The investment in limited partnership represents a Class A limited partnership interest, which was donated and assigned to LLH. As a Class A member, LLH does not participate in the activities of the partnership, but rather receives an annual guarantee payment of 12 percent of its capital balance and has preference in liquidation up to the amount of its capital balance and any unpaid preference account balance. Such annual guarantee payment of \$22,680 is recorded in other income in the statements of activities for the years ended June 30, 2010 and 2009. The investment in limited partnership is valued at fair value using Level 3 inputs as defined by FASB ASC 820, *Fair Value Measurements and Disclosures*. Fair value of the investment in limited partnership was \$189,000 for years ending June 30, 2010 and 2009.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009



Note A – Operations and Summary of Significant Accounting Policies - Continued

5. *Beneficial Interest in Assets Held by Others*

Tulsa Community Foundation (TCF) holds endowment assets for the benefit of LLH, which were valued at \$3,570 as of December 31, 2009. At the close of each calendar year, TCF determines an amount that may be distributed to LLH, not to exceed 5.1 percent of the investment.

6. *Other Long-Term Asset*

Other long-term asset consists of a certificate of deposit with a maturity of greater than one year. The certificate of deposit is expected to mature on July 28, 2011, and is stated at cost, which approximates market value using Level 1 inputs as defined by FASB ASC 820, *Fair Value Measurements and Disclosures*.

7. *Property, Plant and Equipment*

LLH follows the practice of capitalizing, at cost, all the expenditures for fixed assets in excess of \$1,500. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets generally as follows:

Buildings	31 years
Fixtures	20 years
Furniture and equipment	7-10 years
Educational and therapy equipment	15 years
Computers	3 years

Expenditures for maintenance and repairs are charged to expense as incurred, whereas renewals and improvements that materially extend the useful life of assets are capitalized.

During the year ended June 30, 2009, LLH entered into a contract for architectural services on the facility expansion project. Architectural fees incurred under this contract during the years ended June 30, 2010 and 2009 totaled \$840,618 and \$260,830 respectively, and are included in the Construction in Progress caption of the statements of financial position.

Total architectural fees are expected to be in excess of \$1,500,000 for completion of the project and are expected to be funded through donor restricted contributions to the capital fundraising campaign. The contract allows for LLH to cancel the agreement at any time during the term of the contract.

8. *Pledges Receivable*

Pledges receivable consist of unconditional promises to pay, which have been stated as the net present value of future estimated receipts, discounted at a current annual rate of 1.5 percent. As of June 30, 2010, pledges due during the subsequent twelve months total \$248,367, less allowance for doubtful pledges of \$235; net present value of pledges with a one to five year term total \$217,910, less allowance for doubtful pledges of \$1,197.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009



Note A – Operations and Summary of Significant Accounting Policies - Continued

8. Pledges Receivable - Continued

In conformity with generally accepted accounting principles, conditional promises to pay are not recorded until the donor conditions are met. During September 2009, a foundation pledged \$1,650,000, to the Capital Campaign contingent upon the opportunity for naming rights and the ability of LLH to raise total funding of \$15,200,000 no later than June 30, 2011. This pledge is to be paid over a three year period. During November 2009, a foundation pledged \$500,000, to be disbursed once construction of the new facility begins, contingent upon construction starting no later than November 2012. During March, 2010, a foundation pledged \$150,000, to be paid in two equal payments, April 2011 and April 2012, contingent upon \$7,800,000 being raised by April 2011. Approximately \$5,100,000 has been raised to date for the Capital Campaign, and consists of the conditional promises to pay totaling \$2,300,000, unconditional pledges of \$350,000, and cash receipts of \$2,450,000.

9. Other Receivables

Uncollectible other receivables are charged directly to expense when management determines the amounts will not be collected.

10. Income Taxes

LLH is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. Therefore, no provision for income taxes is included in these financial statements.

11. Net Assets

To insure observance of limitations and restrictions placed on the use of resources available to LLH, the net assets of LLH are segregated according to any restrictions placed on the resources. In the accompanying financial statements, net asset restrictions, which have similar characteristics, have been combined, though the accounting records maintain more detailed accounts. The net assets of LLH are segregated as follows:

- Permanently Restricted: This category reflects contributions provided by donors who have explicitly expressed that they wish only the income earned on their donations expended for LLH activities while the corpus is to remain intact.
- Temporarily Restricted: This category reflects contributions provided by donors for specified LLH activities and pledges that are time restricted.
- Unrestricted: This category reflects net assets, which are generally available for authorized expenditures in furtherance of the goals and objectives of LLH and represent unrestricted contributions and cumulative earnings of funds other than those whose use has been specified by the donor.



Notes to Consolidated Financial Statements

June 30, 2010 and 2009

Note A – Operations and Summary of Significant Accounting Policies - Continued

12. Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted contributions depending on the existence or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of time or purpose restrictions. Non-cash contributions are recorded at fair value when received.

A single donor contributed 10 percent of unrestricted donations for the year ended June 30, 2010 and an unrelated donor contributed 10 percent of unrestricted donations for the year ended June 30, 2009.

13. Donated Goods and Services

LLH accepts goods and services that are useful to its mission and follows the practice of recording such donations at their estimated market value. In the event services are donated, which are required and authorized under the annual operating budget of LLH, such services are recorded at their estimated market value.

14. Use of 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 and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

15. Subsequent Events

Management evaluated events from the date of the financial statements on June 30, 2010 through the date those financial statements were available for issuance on October 29, 2010 noting no additional events that required recognition in and/or disclosure in the financial statements.

Notes to Consolidated Financial Statements

June 30, 2010 and 2009



Note B – Net Assets

Unrestricted Net Assets

Unrestricted net assets consist of the following at June 30:

	2010	2009
Investment in limited partnership	\$ 189,000	\$ 189,000
Investment in property, plant and equipment	3,417,222	2,629,194
Endowment funds	129,977	115,877
Other Board designated funds	50,483	186,443
Undesignated	43,495	100,013
	<u>\$ 3,830,177</u>	<u>\$ 3,220,527</u>

Endowment funds consist of The Little Light House, Inc. Operating Endowment Fund (the “Endowment Fund”) and a separate privately funded memorial fund (the “Memorial Fund”). LLH has the right to remove the Endowment Fund’s trustees and amend the trust agreement and to redirect the principal of the Memorial Fund. Accordingly, these funds are classified as unrestricted.

Temporarily Restricted Net Assets

Assets are temporarily restricted as follows at June 30:

	2010	2009
Program expenses	\$ 24,205	\$ 16,619
General and administrative expenses	12,186	16,905
Facility expansion project	368,085	49,724
Time restriction	464,845	96,379
	<u>\$ 869,321</u>	<u>\$ 179,627</u>

Net assets were released through expenditures to satisfy donor-imposed restrictions as follows:

	2010	2009
Program expenses	43,258	52,298
General and administrative expenses	26,390	20,670
Facility expansion project	870,659	390,815
	<u>\$ 940,307</u>	<u>\$ 463,783</u>

Notes to Consolidated Financial Statements

June 30, 2010 and 2009



Note B – Net Assets - Continued

Permanently Restricted Net Assets

Permanently restricted net assets consist of the “Wm. S. Bailey, Jr. Maintenance Endowment Fund,” which was established at the request of a third-party donor. The income of the fund can only be used for the purpose of operating and maintaining the physical plant of LLH, (i.e., utilities, repairs, improvements, cleaning, etc.). In the case of extreme emergencies, and then only by a unanimous silent vote of the Board of Directors of LLH, the income can be used for other purposes. The principal of the fund must, at all times, be safely invested to produce income.

Note C – Fund-Raising Events

Fund-raising event revenue, net, consists of the following:

	2010		2009	
Fund-raising event revenue	\$ 756,446	100%	\$ 717,576	100%
Fund-raising event expenses	115,478	15%	94,690	13%
Net fund-raising revenue	<u>\$ 640,968</u>	<u>85%</u>	<u>\$ 622,886</u>	<u>87%</u>

LLH derives its sole support from private donations and fund-raising events; therefore, considerable resources are expended to generate the funds vital to its educational programs. LLH receives no government funding and services to students are offered on a tuition-free basis. All proceeds from fund-raising events directly benefit LLH’s educational programs.