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**Report On**  
**The Audit Of**  
**The Financial Statements Of**  
**The Lighthouse For The Blind**  
**In New Orleans, Inc.**  
**December 31, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date B-16-06

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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Lighthouse for the Blind in New Orleans, Inc.

I have audited the accompanying Statement of Financial Position of The Lighthouse for the Blind in New Orleans, Inc. (a nonprofit organization) as of December 31, 2005 and the related statements of activities, functional expenses and change in cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audits. Information for the year ended December 31, 2004 is presented for comparative purposes only and was extracted from the financial statements presented by fund for that year, on which an unqualified opinion dated March 11, 2005 was expressed.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the statements applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Lighthouse for the Blind in New Orleans, Inc. as of December 31, 2005 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated May 16, 2006, on my consideration of the Lighthouse for the Blind in New Orleans, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

  
Jules Richard  
Certified Public Accountant

May 16, 2006

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2005  
 (with Comparative Totals for 2004)

	<u>2005</u>	<u>2004</u>
<b><u>ASSETS</u></b>		
<b>CURRENT</b>		
Cash	\$ 1,022,974	\$ 490,241
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$22,565 in 2004 & \$30,738 in 2005)	953,905	853,918
Capital Fund Drive Receivable	412,267	223,680
Insurance Receivable	56,383	-
Merchandise Inventory	1,208,751	1,065,309
Prepaid Expenses	112,485	97,725
Total Current Assets	<u>3,766,765</u>	<u>2,730,873</u>
<b>INVESTMENTS</b>		
Money Market Account	18,742	23,320
Marketable Securities	1,351,713	1,277,151
Real Estate	38,461	38,461
Total Investments	<u>1,408,916</u>	<u>1,338,932</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	119,802	119,802
Building and Improvements	1,888,329	1,880,322
Machinery and Equipment	3,120,395	1,953,779
Furniture and Fixtures	252,796	245,167
Computer Equipment	392,382	331,008
Vehicles	72,936	72,936
	<u>5,846,640</u>	<u>4,603,014</u>
Less: Accumulated Depreciation and Amortization	3,353,986	2,983,203
Net Property, Plant and Equipment	<u>2,492,654</u>	<u>1,619,811</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,668,335</u>	<u>\$ 5,689,616</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts Payable	997,484	824,186
Accrued Expenses	232,975	274,591
Payroll and Sales Tax	166,539	15,810
Note Payable-Bank	1,380,000	310,000
Note/Lease Payable-Others	60,462	-
Total Current Liabilities	<u>2,837,460</u>	<u>1,424,587</u>
<b>NET ASSETS</b>		
Unrestricted	4,210,214	3,991,376
Temporarily Restricted	620,661	273,653
Permanently Restricted	-	-
Total Net Assets	<u>4,830,875</u>	<u>4,265,029</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,668,335</u>	<u>\$ 5,689,616</u>

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.

STATEMENTS OF ACTIVITIES  
 YEAR ENDED DECEMBER 31, 2005  
 (With Comparative Totals for 2004)

	<u>2005</u>	<u>2004</u>
<b><u>UNRESTRICTED NET ASSETS</u></b>		
OPERATING REVENUE - NOTE I	\$ 8,501,565	\$ 9,445,377
OPERATING EXPENSES - PAGE 4	<u>8,732,090</u>	<u>9,738,513</u>
Contribution from Operations	<u>(230,525)</u>	<u>(293,136)</u>
<b>PUBLIC SUPPORT AND REVENUE</b>		
State of Louisiana Budget Appropriation	493,516	506,484
Improvement Purchase by the Capital Drive	690,417	557,039
Restrictions Satisfied by Payment	<u>21,447</u>	<u>7,755</u>
Total Net Assets Released From Restrictions	1,205,380	1,071,278
<b>OTHER PUBLIC SUPPORT</b>		
Grant Income	54,485	82,729
General Contributions	162,556	109,771
Special Gifts	6,844	5,166
Other Income	<u>15,904</u>	<u>6,005</u>
Total Other Public Support	239,789	203,671
Total Public Support (Including Other Public Support) and Revenue	<u>1,445,169</u>	<u>1,274,949</u>
<b>SUPPORTING SERVICES - PAGE 5</b>		
General and Administrative	832,736	860,135
Fund Raising	<u>141,465</u>	<u>168,061</u>
	<u>974,201</u>	<u>1,028,196</u>
<b>INVESTMENT REVENUE AND LEGACY INCOME</b>		
Investment Income	58,910	105,617
Legacy Income	-	22,356
Oil and Gas Income	9,188	7,632
Rental	9,450	8,550
Hurricane Katrina Loss	<u>(99,153)</u>	<u>-</u>
	<u>(21,605)</u>	<u>144,155</u>
Increase (Decrease) in Unrestricted Net Assets	<u>218,838</u>	<u>97,772</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>		
State of Louisiana Budget Appropriation	734,556	500,000
Support from the Ivy Brown Fund	7,095	10,112
Support for Blind Enrichment Program	12,488	10,928
Capital Fund Drive	713,279	635,185
Auxiliary Fund	16,837	-
Employee Katrina Relief Fund	68,133	-
Net Assets Released from Restriction		
Restriction Satisfied by Payment	<u>(1,205,380)</u>	<u>(1,071,278)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>347,008</u>	<u>84,947</u>
INCREASE (DECREASE) IN NET ASSETS	565,846	182,719
NET ASSETS AT BEGINNING OF YEAR	<u>4,265,029</u>	<u>4,082,310</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,830,875</u>	<u>\$ 4,265,029</u>

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

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.  
 STATEMENT OF FUNCTIONAL (OPERATING) EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Workshop</u> <u>Dept. Costs</u>	<u>Special</u> <u>Services</u>	<u>Total</u>
Materials	\$ 5,588,699	\$ 115,247	\$ 5,703,946
Labor	919,091	496,960	1,416,051
Freight	254,443	5,005	259,448
Commissions	215,788	660	216,448
Insurance - Employees	116,034	49,049	165,083
Payroll Taxes	118,296	35,107	153,403
Utilities	93,827	5,866	99,693
General Insurance	62,863	12,046	74,909
Stationery and Supplies	43,763	20,393	64,156
Legal, Audit and Consulting	368	52,882	53,250
Travel	8,922	27,794	36,716
Repairs - Equipment	29,757	3,040	32,797
Low Vision Devices for Clients	-	28,811	28,811
Advertising and Promotion	-	19,735	19,735
Telephone	4,720	10,967	15,687
Building Repairs	10,299	1,472	11,771
Vehicle Operation/Repair	7,848	2,468	10,316
Staff Training/Recruiting	5,846	2,757	8,603
Trash Disposal	7,191	344	7,535
Equipment Rental	3,907	2,545	6,452
Computer Services	3,036	1,382	4,418
Postage	1,486	1,239	2,725
Food/Entertainment	1,418	1,113	2,531
Bank Fees	193	1,142	1,335
Copier Maintenance	66	912	978
Dues/Subscriptions	260	560	820
Miscellaneous	189	216	405
<b>Total Expenses Before Depreciation and Amortization</b>	<b>7,498,310</b>	<b>899,712</b>	<b>8,398,022</b>
<b>Depreciation and Amortization</b>	<b>256,468</b>	<b>77,600</b>	<b>334,068</b>
<b>Total Expenses</b>	<b><u>\$ 7,754,778</u></b>	<b><u>\$ 977,312</u></b>	<b><u>\$ 8,732,090</u></b>

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.  
 STATEMENT OF FUNCTIONAL (SUPPORTING SERVICES) EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General &amp; Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
Labor	\$ 550,450	\$ 64,150	\$ 614,600
Legal, Audit and Consulting	36,824	12,000	48,824
Payroll Taxes	38,232	4,501	42,733
Insurance - Employees	34,131	8,373	42,504
Interest	34,567	-	34,567
Capital Fundraising	-	24,700	24,700
Advertising and Promotion	1,676	15,931	17,607
General Insurance	17,532	7	17,539
Bad Debt Expense	16,152	-	16,152
Stationery and Supplies	14,579	678	15,257
Utilities	9,660	920	10,580
Bank Fees	9,887	-	9,887
Postage	3,636	4,166	7,802
Telephone	6,075	854	6,929
Travel	6,694	-	6,694
Food/Entertainment	3,799	59	3,858
Computer Services	3,396	-	3,396
Equipment Rental	2,006	640	2,646
Copier Maintenance	2,032	13	2,045
Building Repairs	1,420	243	1,663
Staff Training/Recruiting	1,117	-	1,117
Dues/Subscriptions	134	902	1,036
Trash Disposal	551	172	723
Repairs - Equipment	327	-	327
Vehicle Operation/Repair	320	-	320
Miscellaneous	<u>3,980</u>	<u>-</u>	<u>3,980</u>
Total Expenses Before Depreciation and Amortization	799,177	138,309	937,486
Depreciation and Amortization	<u>33,559</u>	<u>3,156</u>	<u>36,715</u>
Total Expenses	<u>\$ 832,736</u>	<u>\$ 141,465</u>	<u>\$ 974,201</u>

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2005  
 (With Comparative Totals for 2004)

	<u>2005</u>	<u>2004</u>
<b>Cash Flows from Operating Activities:</b>		
Excess of Revenue (Expenses) Over Expense (Revenue)	\$ 565,846	\$ 182,719
Adjustment to Reconcile Excess of Revenues Over Expenses to Net Cash Provided by Operating Activities:		
Depreciation	370,783	348,331
Decrease (Increase) in Insurance Receivable	(56,383)	-
Decrease (Increase) in Accounts Receivable	(99,987)	(230,068)
Decrease (Increase) in Capital Fund Drive Receivables	(188,587)	(223,680)
Decrease (Increase) in Inventories	(143,442)	(162,984)
Decrease (Increase) in Prepaid Expenses	(14,760)	(16,351)
Increase (Decrease) in Accounts Payable	173,298	333,185
Increase (Decrease) in Payroll and Sales Taxes	150,729	4,633
Increase (Decrease) in Accrued Liabilities	<u>(41,616)</u>	<u>(2,511)</u>
Net Cash Provided by (Used In) Operating Activities	<u>715,881</u>	<u>233,274</u>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property, Plant and Equipment	(1,243,626)	(680,350)
Proceeds from Sale of Investments	146,876	164,082
Purchases of Investments	(221,649)	(199,536)
Decrease (Increase) in Investment to Market Value	<u>4,789</u>	<u>(87,612)</u>
Net Cash Provided by (Used In) Investing Activities	<u>(1,313,610)</u>	<u>(803,416)</u>
<b>Cash Flows from Financing Activities:</b>		
Short-Term Borrowing	-	-
Increase (Payment) on Notes Payable-Bank	1,070,000	310,000
Increase (Payment) on Notes Payable-Other	<u>60,462</u>	<u>-</u>
Net Cash Provided by (Used In) Financing Activities	<u>1,130,462</u>	<u>310,000</u>
Net Increase (Decrease) in Cash and Cash Equivalents	532,733	(260,142)
Cash and Cash Equivalents at Beginning of Year	<u>490,241</u>	<u>750,383</u>
Cash and Equivalents at End of Year	<u>\$ 1,022,974</u>	<u>\$ 490,241</u>

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING**

The financial statements of The Lighthouse for the Blind in New Orleans, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**BASIS OF PRESENTATION**

The Lighthouse for the Blind in New Orleans, Inc. follows the accounting procedures and practices for voluntary health and welfare organizations established by the American Institute of Certified Public Accountants through the Financial Accounting Standards Board. Therefore, financial statement presentation follows the recommendations of Statement of Financial Accounting Standards (SFAS) No.117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No.117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**REVENUE RECOGNITION**

Revenue is recognized upon shipment/delivery of the product or completion of the service. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

**DONATIONS**

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donor assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

As part of the capital fund drive campaign this year, the Organization received pledges of \$459,098 from donors. These pledges are for the years 2006 to 2009. The pledges have been set up at \$412,267. The difference represents both a present value discount and an allowance for possible uncollectible pledges.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments.

**PROPERTY, PLANT AND EQUIPMENT**

It is the Organization's policy to capitalize property and equipment over \$1000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the useful life of the property, a summary of which follows:

<u>Assets</u>	<u>Useful Life</u>
Building and Improvements	10-50 Years
Furniture and Fixtures	10 Years
Machinery and Equipment	10-20 Years
Vehicles	4 Years
Computer Equipment	3-5 Years

Depreciation expense of \$348,331 in 2004 and \$370,783 in 2005 was charged to expense.

**USE OF ESTIMATES**

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

**FUNCTIONAL EXPENSE ALLOCATION**

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**ADVERTISING**

The Company's policy is to expense advertising costs as the costs are incurred.

NOTE B – CASH AND CASH FLOW INFORMATION

For purposes of the statement of cash flows, The Lighthouse for the Blind in New Orleans, Inc. considers all highly liquid investments in the unrestricted fund with an initial maturity of three months or less to be cash equivalents.

The Lighthouse for the Blind in New Orleans, Inc. maintains its checking and savings accounts at financial institutions that insure cash balances of up to \$100,000 through the Federal Deposit Insurance Corporation. As of December 31, 2005 and 2004, the Company had \$759,424 and \$292,641 respectively in uninsured cash balances.

The Lighthouse for the Blind in New Orleans, Inc. paid no income tax during both periods since the Organization is exempt from federal income taxes under Section 501 ( c ) 3 of the Internal Revenue Code.

NOTE B – CASH AND CASH FLOW INFORMATION (Continued)

Interest paid was as follows:

	<u>2004</u>	<u>2005</u>
Interest	\$ <u>3,915</u>	\$ <u>34,567</u>

NOTE C – INVENTORIES

Inventory of raw materials is valued at cost on the weighted moving average method. The retail stores inventory is valued at cost. The burden is an estimate of the direct labor on overhead cost related to a completed product. Such labor and burden costs are not material to the financial statements taken as a whole. Finished goods are valued at the weighted moving average costs developed for the individual items on the basis of current material and burden rates at the completion of production. Details of merchandise inventory are as follows:

	<u>2004</u>	<u>2005</u>
Raw Material	\$ 800,561	\$ 959,485
Finished Goods	<u>264,748</u>	<u>249,266</u>
Total	<u>\$ 1,065,309</u>	<u>\$ 1,208,751</u>

NOTE D – MAJOR CUSTOMER

Sales to one customer amounted to \$4,510,463 or 53 % of total operating revenue in 2005.

NOTE E – TEMPORARILY RESTRICTED ASSETS

Temporarily restricted assets are gifts that are restricted by the donor for a purpose or time period. The Lighthouse for the Blind in New Orleans, Inc. has the following separate restricted accounts. These accounts are listed below.

Temporarily Restricted Net Assets:

Restricted for:

	<u>2004</u>	<u>2005</u>
State of Louisiana Budget Appropriation	\$ 92,293	\$ 333,333
Unused Capital Fund Donations	78,146	101,008
Ivy Brown Fund	56,339	63,434
Enrichment of the Blind	46,875	55,163
Auxillary Fund	-	16,837
Hurricane Katrina Employee Relief Fund	-	<u>50,886</u>
Total	<u>\$ 273,653</u>	<u>\$ 620,661</u>

The Enrichment of the Blind fund gift was restricted for use only for the enhancement and improvement in the lives of blind persons involved within this organization.

NOTE E – TEMPORARILY RESTRICTED ASSETS (Continued)

In 2005, the Louisiana State Legislature appropriated \$500,000 from a state gaming fund reserved for health and human services work. The above balance will be spent in 2006.

Mrs. Ivy Brown willed part of her estate to The Lighthouse for the Blind in New Orleans, Inc. The will stated that the bequest will be kept in trust by the Greater New Orleans foundation for our benefit.

The capital fund consists of the \$78,146 balance as of January 1, 2005 plus \$713,279 in donations recorded this year, less the \$690,417 cost of machinery purchased in 2005.

In 2005, the Lighthouse for the Blind in New Orleans, Inc.'s Auxiliary moved its cash account into the Lighthouse's general ledger for better accountability.

The Hurricane Katrina Employee Relief Fund consists of donations restricted to help the employees of the Lighthouse of for the Blind in New Orleans, Inc. with their losses caused by hurricane Katrina.

NOTE F -- INVESTMENTS

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Real estate is carried at cost. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. The Organization's investments are summarized below:

<u>Description</u>	<u>Cost</u>	<u>Market Carrying Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Common Stock	\$ 807,534	\$ 998,732	\$ 191,198
Bonds	362,372	352,981	(9,391)
Money Market Account	18,742	18,742	-
Total	\$ 1,188,648	\$ 1,370,455	\$ 181,807
Real Estate	38,461	38,461	-
Total	\$ 1,227,109	\$ 1,408,916	\$ 181,807

Investment return is summarized as follows:

Interest and Dividend Income (Net)	\$ 37,096
Net Realized and Unrealized Gains (Losses)	21,814
Total Unrestricted Investment Income (Losses)	\$ 58,910

Expenses relating to investment revenues, including custodial fees and investment advisory fees, and fees due to sales of investment real estate, amounting to \$4,849 have been netted against investment revenues in the accompanying Statement of Activities.

NOTE G – NOTES PAYABLE

The Lighthouse for the Blind in New Orleans, Inc. has two outstanding bank notes.

The first is a line of credit loan with a bank for \$600,000 at an interest rate of 6.571%.

The second is an equipment loan for \$780,000. This loan is at an interest rate of 4.85% and is secured by the equipment purchased with the proceeds. The terms are 84 payments of \$8,216, including interest, with a balloon payment of \$274,751 at the end of 7 years.

In addition to the bank loans, the Lighthouse for the Blind in New Orleans, Inc. borrowed \$50,000 from the National Industries for the Blind to help with hurricane Katrina expenses. The National Industries for the Blind made this loan at a zero interest rate due to the storm and it will need to be repaid on July 1, 2007.

Another piece of equipment was also purchased on a lease-purchase agreement. The total cost, including interest, installation and delivery, was \$10,462.

The future payments on the above for the next five years are as follows:

<u>December 31,</u>	
2006	\$ 665,285
2007	120,300
2008	75,315
2009	79,377
2010	82,860
After 2010	417,325
Total	<u>\$ 1,440,462</u>

NOTE H – LEASE COMMITMENT

The Lighthouse for the Blind in New Orleans, Inc. has entered into a lease agreement with the city of New Orleans to lease land for parking. The lease is for \$4,800 per year and the lease period is for 26 years and 4 months starting June 1, 2004. This lease shall automatically be extended for 2 additional terms of 15 years each unless the lessee gives notice of its intent not to renew at least 30 days prior to the expiration of the current lease. A lease expense of \$4,800 was paid in 2005.

NOTE I – HURRICANE KATRINA LOSS

In August 2005, New Orleans was hit by hurricane Katrina. This storm caused a disruption of operations by the Lighthouse for the Blind in New Orleans, Inc. in manufacturing, services, and administration for a number of months. In response, the Company moved some of its manufacturing operation to Crystal Springs, Mississippi so that it could meet government's and others customers' orders.

The hurricane also caused wind damage, especially to the roofs of the main building and older warehouse at the State Street location. The direct cost of repairs made in 2005 together with

THE LIGHTHOUSE FOR THE BLIND IN NEW ORLEANS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2005

NOTE I HURRICANE KATRINA LOSS (Continued)

Inventory destroyed came to approximately \$160,000 of which \$131,382 was recovered from insurance. In addition, there was approximately \$70,000 in relocation costs to temporarily move operations to Mississippi.

The above costs do not include the cost of replacing the old warehouse on the State Street property or other repairs to the interiors and exteriors which still need to be made. Management has estimated that the total cost, including a new warehouse, will be \$750,000 most of which will be covered by insurance.

NOTE J – OPERATING REVENUE

Operating revenue consists of sales from the following operating departments:

	<u>2005</u>	<u>2004</u>
Sales - Paper Plates	\$ 3,059,421	\$ 4,199,993
Sales - Paper Towels	1,080,458	1,081,579
Sales - Paper Cups	1,566,416	829,960
Sales - Sewn Products	520,710	678,703
Sales - Switchboard Service	664,348	639,750
Sales - Mops	288,925	242,788
Sales - First Aid Kits	219,095	429,216
Sales - Jobber/Scrubber	232,339	284,962
Sales - Braille Transcription	88,621	164,057
Sales - Brooms	110,862	165,943
Sales - Warehouse	86,106	93,210
Sales - Plastics	80,309	87,998
Sales - IRS Mailroom/misc.	<u>73,768</u>	<u>19,530</u>
 Total Workshop Departments	 \$ 8,071,378	 \$ 8,917,689
 Sales - Services	 213,249	 276,535
Sales - Visual Aids Store	173,770	205,370
Sales - Low Vision Clinic	55,719	34,200
Sales - Orientation/Mobility/Technology	<u>33,051</u>	<u>32,097</u>
 Total Special Services Sales	 <u>475,789</u>	 <u>548,202</u>
 Total Sales	 8,547,167	 9,465,891
 Less Sales Allowances and Discount	 <u>(45,602)</u>	 <u>(20,514)</u>
 Net Sales	 <u>\$ 8,501,565</u>	 <u>\$ 9,445,377</u>

**JULES RICHARD, III**  
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees  
The Lighthouse for the Blind in New Orleans, Inc.

I have audited the financial statements of The Lighthouse for the Blind in New Orleans, Inc. (a nonprofit organization) as of and for the year ended December 31, 2005 and have issued my report thereon dated May 16, 2006. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether The Lighthouse for the Blind in New Orleans, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered The Lighthouse for the Blind in New Orleans, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weakness. A material

weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of misstatements in amounts that would be material in relation to the financial being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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



Jules Richard, CPA  
Metairie, Louisiana

May 16, 2006