

Clovernook Center for the Blind and Visually Impaired

**Financial Statements
April 30, 2011, with
Summarized Comparative Totals for April 30, 2010, and
Independent Auditor's Report**

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

April 30, 2011

With Summarized Comparative Totals for April 30, 2010

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Independent Auditors' Report

The Board of Trustees
Clovernook Center for the Blind and Visually Impaired
Cincinnati, Ohio

We have audited the accompanying statement of financial position of Clovernook Center for the Blind and Visually Impaired (a nonprofit organization) as of April 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's April 30, 2010 financial statements, and in our report dated June 17, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 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 audit provides 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 Clovernook Center for the Blind and Visually Impaired as of April 30, 2011, 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.

Barnes, Dennig & Co., Ltd.

June 16, 2011

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

**Statements of Financial Position
April 30, 2011 and 2010**

	2011	2010
Assets		
Cash and cash equivalents	\$ 2,585,491	\$ 1,106,509
Accounts receivable, net of allowances; 2011 - \$10,400; 2010 - \$35,500	467,287	794,527
Interest and dividends receivable	33,367	40,189
Pledges receivable	40,062	2,809
Inventory	605,714	467,409
Prepaid expenses	5,879	5,059
Investments	33,284,212	31,908,514
Property and equipment, net	3,505,819	3,702,438
Beneficial interest in perpetual trusts	844,810	785,201
	<u>41,372,641</u>	<u>38,812,655</u>
Total assets	<u>\$ 41,372,641</u>	<u>\$ 38,812,655</u>
Liabilities and Net Assets		
Liabilities		
Lines of credit	\$ 1,250,000	\$ 1,250,000
Accounts payable	531,258	260,687
Accrued payroll and vacation	239,091	215,353
Other accrued expenses	349,178	369,178
	<u>2,369,527</u>	<u>2,095,218</u>
Total liabilities	<u>2,369,527</u>	<u>2,095,218</u>
Net Assets		
Unrestricted	37,886,915	35,728,509
Temporarily restricted	216,875	149,213
Permanently restricted (NOTE 9)	899,324	839,715
	<u>39,003,114</u>	<u>36,717,437</u>
Total net assets	<u>39,003,114</u>	<u>36,717,437</u>
Total liabilities and net assets	<u>\$ 41,372,641</u>	<u>\$ 38,812,655</u>

See accompanying notes to financial statements

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Statement of Activities
 Year Ended April 30, 2011
 With Summarized Comparative Totals for April 30, 2010

	2011			2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Operating revenues and support				
Revenue from program services and operations	\$ 6,436,766	\$ -	\$ -	\$ 6,436,766
Contributions	215,309	414,630	-	629,939
Legacies and bequests	203,084	-	-	203,084
Net assets released from restrictions	346,968	(346,968)	-	-
Total operating revenues and support	7,202,127	67,662	-	7,269,789
Operating expenses	9,412,087	-	-	9,412,087
Change in net assets from operations	(2,209,960)	67,662	-	(2,142,298)
Other income				
Return on investments	4,280,702	-	-	4,280,702
Change in beneficial interest in perpetual trusts	-	-	59,609	59,609
Other	87,664	-	-	87,664
Total other income	4,368,366	-	59,609	4,427,975
Change in net assets	2,158,406	67,662	59,609	2,285,677
Net assets, beginning of year	35,728,509	149,213	839,715	36,717,437
Net assets, end of year	\$ 37,886,915	\$ 216,875	\$ 899,324	\$ 39,003,114

See accompanying notes to financial statements

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

**Statement of Functional Expenses
Year Ended April 30, 2011
With Summarized Comparative Totals for April 30, 2010**

	2011					2010		
	Industrial Operations	Program Services	Multi-State	Memphis Operations	Total Program	Management and General	Fundraising	Total
Salaries and wages	\$ 1,649,631	\$ 928,802	\$ 310,995	\$ 442,961	\$ 3,332,389	\$ 708,423	\$ 105,852	\$ 4,146,664
Employee benefits	427,420	263,418	67,044	99,505	857,387	158,613	27,085	1,043,085
Payroll taxes	134,346	78,233	26,358	35,728	274,665	59,818	8,968	343,451
Recognition and training	502	8,731	241	2,332	11,806	2,071	2,374	16,251
Total salaries and related expenses	2,211,899	1,279,184	404,638	580,526	4,476,247	928,925	144,279	5,549,451
Materials and supplies	1,156,573	58,976	33,443	271,556	1,520,548	8,083	730	1,529,361
Outside services	314,349	140,223	50,235	44,275	549,082	81,708	9,238	640,028
Repairs and maintenance	128,822	5,310	28,803	126,107	289,042	28,100	4,942	322,084
Utilities	88,637	37,913	29,362	98,531	254,443	39,046	5,240	298,729
Rent	-	-	145,101	-	145,101	-	-	145,101
Postage and shipping	88,079	3,600	4,579	23,543	119,801	4,515	2,161	126,477
Other	27,791	21,677	793	13,451	63,712	34,795	6,086	104,593
Insurance	33,339	-	2,888	20,574	56,801	7,922	5,034	69,757
Public relations	4,557	32,528	-	2,371	39,456	25,073	186	64,715
Travel	9,940	24,668	2,688	8,252	45,548	6,107	3,000	54,655
Interest expense	8,088	3,235	162	3,075	14,560	809	809	16,178
Total expenses before depreciation	4,072,074	1,607,314	702,692	1,192,261	7,574,341	1,165,083	181,705	8,921,129
Depreciation	279,247	52,151	-	142,836	474,234	15,375	1,349	490,958
2011 Totals	\$ 4,351,321	\$ 1,659,465	\$ 702,692	\$ 1,335,097	\$ 8,048,575	\$ 1,180,458	\$ 183,054	\$ 9,412,087
2010 Totals	\$ 3,970,780	\$ 1,504,675	\$ 735,219	\$ 1,396,250	\$ 7,606,924	\$ 1,157,877	\$ 181,331	\$ 8,946,132

See accompanying notes to financial statements

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

**Statements of Cash Flows
Years Ended April 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ 2,285,677	\$ 4,961,503
Adjustments to reconcile change in net assets to net cash from operating activities:		
Bad debt expense (recoveries)	(10,415)	23,891
Depreciation	490,958	590,485
Net realized and unrealized gain on investments	(3,824,904)	(7,042,517)
Change in value of beneficial interest in perpetual trust	(59,609)	(76,987)
Change in:		
Accounts receivable	337,655	60,980
Interest and dividends receivable	6,822	1,850
Pledges receivable	(37,253)	(219)
Inventory	(138,305)	(108)
Prepaid expenses	(820)	2,442
Accounts payable	142,773	104,804
Accrued payroll and vacation	23,738	(8,666)
Other accrued expenses	(20,000)	(86,341)
	<u>(803,683)</u>	<u>(1,468,883)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Purchase of property and equipment	(166,541)	(157,403)
Proceeds from sale of investments	74,822,393	13,485,562
Purchase of investments	(72,373,187)	(11,055,125)
	<u>2,282,665</u>	<u>2,273,034</u>
Net cash provided by investing activities		
Net change in cash and cash equivalents	1,478,982	804,151
Cash and cash equivalents, beginning of year	<u>1,106,509</u>	<u>302,358</u>
Cash and cash equivalents, end of year	<u>\$ 2,585,491</u>	<u>\$ 1,106,509</u>
Supplemental cash flow information		
Interest paid	<u>\$ 16,178</u>	<u>\$ 16,928</u>
Property and equipment included in accounts payable	<u>\$ 127,798</u>	<u>\$ -</u>

See accompanying notes to financial statements

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Clovernook Center for the Blind and Visually Impaired is a dynamic organization which promotes the empowerment of people who are blind and visually impaired to be self-sufficient and full participants in their communities. This is achieved by delivering the following comprehensive programs and employment opportunities:

The Program Services department provides training and support for independent living, orientation and mobility instruction, vocational training, job placement, counseling, recreation and youth services.

The Business Operations department provides meaningful employment opportunities for individuals who are blind or visually impaired, while at the same time manufacturing high-quality file folders and compostable paper hot cups for customers across the country.

The Braille Print House provides Braille print, large print, audio products and transcription services to a broad range of consumers from the US Government, social agencies and commercial businesses.

The Contract Packaging department teaches work skills to people with visual and other disabilities while providing businesses with quality, on-time packaging assembly and other labor-intensive services.

Multistate Center East, under contract with the Library of Congress, distributes books in adaptive format and related materials for the National Library Service for the Blind and Physically Handicapped.

Clovernook provides these services and employment opportunities in the Cincinnati, Ohio and Memphis, Tennessee markets.

Financial Statement Presentation

The financial statements include certain prior year summarized comparative information. Such information, included with the statements of activities and functional expenses, does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended April 30, 2010, from which the comparative information was derived.

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) for not-for-profit entities. GAAP for not-for-profit entities requires, among other things, the net assets to be classified 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 and may be utilized at the discretion of the Board of Trustees to support the Organization's purposes and operations.

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization satisfying the purpose or the passage of time. When a donor 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.

Permanently restricted net assets – Net assets for which the donor has stipulated that the principal be maintained in perpetuity and that only the income from the investment thereof be expended either for the general purpose of the Organization or for purposes specified by the donor. Permanently restricted net assets consist primarily of the fair value of the beneficial interest in perpetual trusts.

Cash and Cash Equivalents

The Organization considers bank deposits and all liquid investments with original maturities of three months or less to be cash equivalents. At April 30, 2011 and 2010, cash equivalents consisted primarily of investments in overnight repurchase agreements, money market accounts and certificates of deposit. At April 30, 2011 and 2010, money market accounts included in cash and cash equivalents were \$1,959,998 and \$940,427, respectively. The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Investments and Investment Return

Investments in equity and debt securities are carried at fair market value. Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Inventories

Inventories consist of raw paper and paper products. Product sales are recognized as the products are shipped to customers. Inventories are stated at the lower of cost, determined on the first-in, first-out (FIFO) method, or market.

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost or fair value at the time of the gift in the case of donated items. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. The cost of maintenance and repairs is expensed as incurred, while significant improvements are capitalized.

In accordance with GAAP for Property and Equipment, the Organization assesses the recoverability of the carrying amount of property and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in operating conditions. Based on the most recent analysis, the Organization believes no impairments existed at April 30, 2011 and 2010.

Included in property and equipment are capitalized collections of works of art, historical treasures and similar assets. Items added to the collections are capitalized at cost if purchased or at estimated fair value on the acquisition date if donated. Collection items sold or removed are reported as unrestricted or temporarily restricted gains or losses depending on donor stipulations, if any, placed on the items at the time of acquisition.

Contributions

The Organization records gifts of cash and other assets at their fair market value as of the date of contribution. Such donations are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized and reported as contribution revenue. Conditional promises to give are recognized as revenues when the conditions on which they depend are substantially met.

Donated Services

The Organization records donated services as revenues in the period received only if the services received create or enhance non-financial assets or required specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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.

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Notes to Financial Statements (Continued)

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is a not-for-profit organization exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) and a similar provision of state law. The Organization is not considered a private foundation.

The Organization's IRS Form 990 is subject to review and examination by federal, state, and local 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 or excise or other taxes.

Shipping and Handling Costs

Shipping and handling costs of \$55,000 and \$92,000 for 2011 and 2010, respectively, are included in operating expenses.

Functional Classification of Expenses

The costs of providing the various programs and activities have been charged directly to program, management and general or fundraising categories based on specific identification. Management and general costs are allocated to the programs based on benefits received.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year financial statement presentation. These reclassifications had no effect on the change in net assets.

Restatement of Prior Year Financials

Certain disclosures related to the classification of fair value measurements for the Organization's beneficial interest in perpetual trusts have been restated to conform to the current year financial statement presentation. These restatements had no effect on the change in net assets.

Subsequent Events

In preparing its financial statements, the Organization has evaluated events subsequent to the statement of financial position date through June 16, 2011, which is the date the financial statements were available to be issued.

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Notes to Financial Statements (Continued)

NOTE 2 FAIR VALUE MEASUREMENTS

Under GAAP for fair value measurements and disclosures, a three-level hierarchy is established for fair value measurements based on transparency of valuation inputs as of the measurement date. The hierarchy is based on the lowest level of input that is significant to the fair value measurement. The adoption did not have a material impact on the financial statements. The three levels are defined as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets in active markets.

Level 2 – Inputs are observable quoted prices for similar assets in active markets.

Level 3 – Inputs are unobservable and reflect management’s best estimated of what market participants would use as fair value.

Investments

Where quoted market prices are available in an active market securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include equity securities and mutual funds (including equity and bond funds). If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics. Level 2 securities include U.S. Treasury and agency securities and fixed income securities. Investments which do not have a readily determinable fair value and are valued using the Net Asset Value (NAV) per share are valued as Level 2 or Level 3 securities dependent upon certain liquidity restrictions imposed by the investment management companies. Due to the redemption notice period, the Organization’s Alternative Investments are classified as Level 3 securities.

Beneficial Interest in Perpetual Trust

Fair value for the beneficial interest in a perpetual trust is determined by calculating the present value of the future distributions expected to be received. Due to the nature of the valuation inputs the interest is classified within Level 3 of the hierarchy.

Assets Measured at Fair Value on a Recurring Basis

The following table summarizes assets measured at fair value on a recurring basis at April 30, 2011 and 2010:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2011				
Investments	\$ 24,783,650	\$ 5,923,614	\$ 2,576,948	\$ 33,284,212
Beneficial interest in perpetual trusts	-	-	844,810	844,810
Total assets	<u>\$ 24,783,650</u>	<u>\$ 5,923,614</u>	<u>\$ 3,421,758</u>	<u>\$ 34,129,022</u>
2010				
Investments	\$ 21,388,823	\$ 10,519,691	\$ -	\$ 31,908,514
Beneficial interest in perpetual trusts	-	-	785,201	785,201
Total assets	<u>\$ 21,388,823</u>	<u>\$ 10,519,691</u>	<u>\$ 785,201</u>	<u>\$ 32,693,715</u>

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

**Notes to Financial Statements
(Continued)**

NOTE 2 FAIR VALUE MEASUREMENTS (Continued)

The following table is a reconciliation of all assets and liabilities measured at fair value on a recurring basis using significant Level 3 unobservable inputs:

	<u>Level 3 Fair Value Measurements</u>	
	<u>Beneficial interest in perpetual trusts</u>	<u>Alternative Investments</u>
Balance at April 30, 2009	\$ 708,214	\$ -
Change in value	76,987	-
Balance at April 30, 2010	785,201	-
Realized gains	-	-
Investments income, net	-	-
Unrealized gains	-	26,948
Purchase and sales, net	-	2,550,000
Change in value	59,609	-
Transfers in/(out) of Level 3	-	-
Balance at April 30, 2011	<u>\$ 844,810</u>	<u>\$ 2,576,948</u>

The Organization used Net Asset Value (NAV) to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investments companies by major category:

	<u>Year Ended April 30, 2011</u>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Alternative Investments (a)	\$ 2,576,948	\$ -	Monthly/quarterly	60 to 90 days

(a) This category includes investments in funds that invest primarily in publicly traded equity and debt securities of the United States and foreign issuers. These funds focus primarily on long/short equity or multi-faceted event driven investment strategies, equity and balance sheet arbitrage, special situations investing or nontraditional investment disciplines. The fair value of the Organization's investment in this category has been estimated using the net asset value per share of the investments.

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Notes to Financial Statements (Continued)

NOTE 3 INVESTMENTS

Investments as of April 30 consisted of the following:

	2011	2010
Equities	\$ 18,148,555	\$ 21,388,823
Fixed income	12,558,709	10,519,691
Alternative Investments	2,576,948	-
	\$ 33,284,212	\$ 31,908,514

Investment return is comprised of the following:

	2011	2010
Interest and dividend income	\$ 551,257	\$ 406,861
Net realized and unrealized gain on investments	3,824,904	7,042,517
Investment management fees	(119,240)	(103,289)
	4,256,921	7,346,089
Interest and dividend income from perpetual trusts	23,781	24,552
	\$ 4,280,702	\$ 7,370,641

NOTE 4 INVENTORY

Inventory at April 30 consisted of the following:

	2011	2010
Raw materials	\$ 389,032	\$ 320,545
Work-in-process	13,640	26,151
Finished goods	203,042	120,713
	\$ 605,714	\$ 467,409

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Notes to Financial Statements (Continued)

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment as of April 30 consisted of the following:

	2011	2010
Buildings and improvements	\$ 6,807,777	\$ 6,795,602
Manufacturing equipment	3,999,652	3,908,336
Computer equipment	727,058	674,671
Furniture and fixtures	964,204	909,313
Walks, landscaping and roadways	580,747	580,747
Automotive equipment	174,265	174,265
	13,253,703	13,042,934
Less accumulated depreciation	(10,255,124)	(9,774,279)
	2,998,579	3,268,655
Land	199,325	199,325
Collections	151,011	151,011
Construction in process	156,904	83,447
	\$ 3,505,819	\$ 3,702,438

NOTE 6 BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Organization is the beneficiary under multiple perpetual trusts administered by outside parties. Under the terms of the trust, the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$844,810 and \$785,201, which represents the fair value of the trust assets at April 30, 2011 and 2010, respectively. The income from these trusts for 2011 and 2010 were \$23,781 and \$24,552, respectively.

NOTE 7 LINES OF CREDIT

The Organization has two revolving lines of credit. The first permits borrowings up to \$500,000 through January 2012 with interest payable monthly at 0.75% below the lender's prime rate (3.25% at April 30, 2011). There was \$-0- borrowed against the line as of April 30, 2011 and 2010. The second line of credit permits borrowings up to \$3,000,000 through January 2012, with interest payable monthly at 1.00% below the lender's prime rate (3.25% at April 30, 2011) or 1.00% above the chosen LIBOR rate. At April 30, 2011 and 2010, \$1,250,000 was outstanding under this line of credit. Certain investments are pledged as collateral on both lines of credit.

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

**Notes to Financial Statements
(Continued)**

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of April 30 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
Instructional services	\$ 62,403	\$ 18,629
Employment services	52,914	60,414
Youth program	37,871	45,726
Other services	27,800	-
Low vision program	18,938	-
Capital equipment	12,510	-
Wish List (United Way)	2,500	3,508
Community living services	1,000	3,000
Guide dog program	939	6,360
Recreational services	-	11,576
	<u>\$ 216,875</u>	<u>\$ 149,213</u>

NOTE 9 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of April 30 consisted of the following:

	<u>2011</u>	<u>2010</u>
Beneficial interest in perpetual trusts	\$ 844,810	\$ 785,201
General endowment	54,514	54,514
	<u>\$ 899,324</u>	<u>\$ 839,715</u>

The general endowment originated from the termination in August 2009 of a perpetual trust in which Clovernook was the sole beneficiary.

NOTE 10 REVENUE FROM PROGRAM SERVICES AND OPERATIONS

Revenue from program services and operations for the years ending April 30 consisted of the following:

	<u>2011</u>	<u>2010</u>
Industrial operations	\$ 3,934,485	\$ 3,347,673
Program services	1,172,664	1,026,486
Multi-state	730,522	766,891
Memphis operations	599,095	511,320
	<u>\$ 6,436,766</u>	<u>\$ 5,652,370</u>

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Notes to Financial Statements (Continued)

NOTE 11 LEASE COMMITMENTS

In connection with the administration of the Multi-State program, the Organization has entered into operating leases for storage facilities and rental space. Certain of these operating leases contain renewal provisions and provisions for insurance costs, as well as additional payments for utilities, maintenance, and repairs. These leases expire on various dates through December 2013. Rent expense under operating leases for the years ended April 30, 2011 and 2010 was \$145,101 and \$141,801, respectively.

Future minimum lease payments at April 30, 2011 were:

2012	\$	116,000
2013		90,333
2014		51,667
		<hr/>
	\$	258,000
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NOTE 12 EMPLOYEE BENEFIT PLANS

Effective January 1, 1998, the Organization established a defined contribution retirement plan (Retirement Plan). The Retirement Plan provides a base employer contribution fixed at 6% of employee compensation and provides a 401(k) feature that allows employees to defer, only on a pre-tax basis, compensation up to IRS limitations. The Retirement Plan also provides a discretionary employer matching contribution to a maximum of 100% of employee contributions, not to exceed 6% of employee compensation. The level of match is established annually by the Board. Employees are required to complete one year of service to be eligible for the base employer contribution and to participate in the 401(k) feature. Employees vest on a five-year cliff basis in the base employer contribution and are 100% vested in their own and any employer matching contributions made to the Retirement Plan. Plan expenses were approximately \$44,600 for 2011 and 2010.

Transitional benefits consisting of additional fixed annual contributions until age 65 or date of termination, if earlier, are provided for all current active participants formerly a part of the terminated defined benefit plan. Eligibility for transitional benefits includes employees who are at least 40 years of age with five years of service, or have reached a cumulative of age plus service greater than or equal to 50 years of age as of January 1, 1998. The cost of this defined contribution plan to the Organization was approximately \$236,000 and \$222,000 for the years ended April 30, 2011 and 2010, respectively.

Effective October 1, 2005, the Organization established a deferred compensation plan in compliance with Section 457 of the Internal Revenue Code. This plan allows certain eligible employees to defer a portion of their base salary and bonus payments and allows the Organization to provide additional deferred compensation on a discretionary basis. There were no elected deferrals or employer contributions made during the years ended April 30, 2011 and 2010.

NOTE 13 CONCENTRATIONS

The majority of the Organization's sales and gross accounts receivable represent the printing (Braille books and magazines) and paper products (folders and cups) sales to federal government agencies. These sales approximated \$5,015,000 and \$4,315,000 during the years ended April 30, 2011 and 2010, respectively.

CLOVERNOOK CENTER FOR THE BLIND AND VISUALLY IMPAIRED

Notes to Financial Statements (Continued)

NOTE 14 CONTINGENCIES

Any property and equipment purchased with the U.S. Department of Education Rehabilitation Services – Vocational Rehabilitation Grants to States funds must be disposed of in accordance with the State of Tennessee Department of Human Services fiscal service policy. As such, if the program or grant is terminated, ownership of the property and equipment may revert to the State of Tennessee. Net book value of this property and equipment was approximately \$420,000 at April 30, 2011.

The Organization purchased land and a building from the State of Tennessee for \$1 during 2005. As such, if the Organization would cease operating the property either as a workshop or rehabilitation facility for the benefit of blind persons, ownership of the property and equipment could revert to the State of Tennessee or the Organization could owe the State \$527,500. The option of payment or forfeiture would be at the sole discretion of the State.

The Organization is subject to other claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position of the Organization. Events could change that would change this estimate materially in the near term.