KEYSTONE INDEPENDENCE MANAGEMENT

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

Black, Bashor & Porsch, LLP
CERTIFIED PUBLIC ACCOUNTANTS

KEYSTONE INDEPENDENCE MANAGEMENT

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Keystone Independence Management
1230 Stambaugh Avenue
Sharon, Pennsylvania 16146

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying statements of financial position of Keystone Independence Management (a non-profit organization) as of December 31, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Keystone Independence Management as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Black, Bashor & Porsch, LLP

Sharon, Pennsylvania
October 21, 2013

KEYSTONE INDEPENDENCE MANAGEMENT

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2012 AND 2011

	2012	2011
A S S E T S		
Cash and Cash Equivalents	$ 25,745	$ 31,464
Accounts Receivable	11,004	0
Prepaid Expenses	31,397	28,265
TOTAL ASSETS:-	$ 68,146	$ 59,729
L I A B I L I T I E S		
Accrued Payroll Taxes	$ 6,422	$ 5,527
Accounts Payable	2,587	3,458
Due to Keystone Blind Association	6,490	8,825
Due to Center for the Blind and Visually Impaired	0	280
TOTAL LIABILITIES:-	$ 15,499	$ 18,090
N E T A S S E T S		
Unrestricted	$ 52,647	$ 41,639
TOTAL LIABILITIES AND NET ASSETS:-	$ 68,146	$ 59,729

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE INDEPENDENCE MANAGEMENT

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
REVENUES:-		
Management Fees	$ 1,992,069	$ 1,664,926
Miscellaneous Revenue	155	0
TOTAL REVENUES:-	$ 1,992,224	$ 1,664,926
EXPENSES:-		
Professional Salaries and Wages	$ 1,368,373	$ 1,125,771
Employee Benefits	413,000	427,781
Payroll Taxes	105,522	85,441
Other	5,161	2,965
Professional Fees	5,160	4,550
TOTAL EXPENSES:-	$ 1,897,216	$ 1,646,508
NET INCREASE:-	$ 95,008	$ 18,418
TRANSFERRED TO PARENT:-	(84,000)	(105,000)
NET INCREASE (DECREASE) IN NET ASSETS:-	$ 11,008	$ (86,582)
NET ASSETS AT BEGINNING OF YEAR:-	41,639	128,221
NET ASSETS AT END OF YEAR:-	$ 52,647	$ 41,639

The Accompanying Notes are an Integral Part of These Statements

KEYSTONE INDEPENDENCE MANAGEMENT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:-		
CASH FLOWS FROM OPERATING ACTIVITIES -		
Management Fees Received	$ 1,981,380	$ 1,733,926
CASH PROVIDED BY OPERATING ACTIVITIES:-	$ 1,981,380	$ 1,733,926
Cash Paid for Personnel Expense	(1,886,000)	(1,634,996)
Cash Paid for Operating Activities	(17,099)	(27,269)
Transfer to Parent	(84,000)	(105,000)
NET CASH FLOWS FROM OPERATING ACTIVITIES:-	$ (5,719)	$ (33,339)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS:-	$ (5,719)	$ (33,339)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR:-	31,464	64,803
CASH AND CASH EQUIVALENTS AT END OF YEAR:-	$ 25,745	$ 31,464
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:-		
Change in Net Assets	$ 11,008	$ (86,582)
Increase (Decrease) in Accrued Payroll Taxes	895	69
Increase (Decrease) in Accounts Payable	(871)	1,364
Increase (Decrease) in Due to Parent	(2,335)	8,312
(Increase) Decrease in Accounts Receivable	(11,004)	69,000
(Increase) Decrease in Prepaid Expenses	(3,132)	(25,782)
Increase (Decrease) in Due to Center for the Blind and Visually Impaired	(280)	280
NET CASH FLOWS FROM OPERATING ACTIVITIES:-	$ (5,719)	$ (33,339)

The Accompanying Notes are an Integral Part of These Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BACKGROUND DATA AND INFORMATION

Keystone Independence Management (a non-profit organization) is a wholly-controlled subsidiary of Keystone Blind Association. Keystone Independence Management was formed in 2001 with the purpose of providing personnel services to the Keystone Blind Association. For purposes of reporting, Keystone Independence Management has been separately reported upon and, as such, financial results will not be combined in the financial statements of Keystone Blind Association. Management considers the net activity of the Organization's transactions and net assets to be immaterial to Keystone Blind Association. Keystone Independence Management has hired all the professional staff for the Keystone Blind Association and processes the related payroll and benefits. In turn, Keystone Blind Association pays Keystone Independence Management a management fee approximating the cost of such payroll and benefits. In 2008, Keystone Independence Management began providing the professional management, payroll, and related benefits for the Beaver County Association for the Blind. In 2009, Keystone Independence Management began providing the professional management and related payroll and benefits for the Center for the Blind and Visually Impaired and the Center for the Blind and Disabled. In 2012, Keystone Independence Management began providing the professional payroll and related benefits for the Montgomery County Association for the Blind and managing day-to-day operations.

FINANCIAL STATEMENT PRESENTATION

Keystone Independence Management has adopted FASB Accounting Standards Codification (ASC) 958-205, "Financial Statements of Not-for-Profit Organizations". Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three (3) classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

There are no permanently restricted or temporarily restricted net assets at December 31, 2012.

BASIS OF ACCOUNTING

The accrual basis of accounting is used by the Organization. Revenues are recognized in the accounting period in which they are earned. Expenses are recorded in the accounting period in which they are incurred.

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.

CASH AND CASH EQUIVALENTS
For purposes of the cash flows statement, the Organization considers all highly liquid investments purchased with a maturity of three (3) months or less, to be cash equivalents.

UNCERTAIN TAX POSITIONS
The Organization has adopted the provisions of FIN 48 (FASB ASC 740), "Uncertain Tax Positions".

As a result of continuing evaluation of statutes, tax law changes, authoritative findings, audits, etc., management believes there are no uncertain tax positions that would result in a significant increase or decrease of unrecognized tax benefits, and no accruals of interest and penalties associated with uncertain tax positions are included in the financial statements.

The Organization files an income tax return in the U.S. federal jurisdiction. There are currently no ongoing exams or audits by any taxing authority. The 990 tax returns prior to 2009 are closed.

RECLASSIFICATIONS
Certain prior year amounts have been reclassified to conform with current year presentation.

2. INCOME TAXES

Keystone Independence Management, a non-profit organization operating under Section 501(c)(3) of the Internal Revenue Code, is generally exempt from federal, state, and local income taxes and, accordingly, no provision for income taxes is included in the financial statements.

3. MAJOR CUSTOMERS

The Organization provides most of its services to Keystone Blind Association (parent), Beaver County Association for the Blind (affiliate), Center for the Blind and Visually Impaired (affiliate), and Montgomery County Association for the Blind (affiliate). 100 percent of management fee revenue is from these affiliates and parent. At December 31, 2012 and 2011, amounts due to Keystone Blind Association were $ 6,490 and $ 8,825, respectively. Amounts due to Center for the Blind and Visually Impaired were $ - 0 - and $ 280 for 2012 and 2011, respectively.

There were no amounts due from or due to either the Beaver County Association for the Blind or Montgomery County Association for the Blind as of December 31, 2012 or 2011.

4. CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash.

Noninterest-bearing cash transaction accounts, i.e., checking accounts at individual banks, will be fully insured by the Federal Deposit Insurance Corporation (FDIC) for the period December 31, 2010 through December 31, 2012. Interest-bearing cash transaction accounts, i.e., money market checking accounts and certificates of deposit at individual banks, are currently insured by FDIC up to $ 250,000. This listed coverage is based upon the Dodd-Frank Wall Street Reform and Consumer Protection Act of July 21, 2010. In the normal course of business, the Organization may have deposits in excess of federal insurance coverage. As of December 31, 2012, the Organization had no deposits in excess of FDIC insured limits. Beginning January 1, 2013, noninterest-bearing transaction accounts will no longer be insured separately from a depositor's other accounts at the same financial institution. Instead, noninterest-bearing transaction accounts will be added to any of a depositor's other accounts in the applicable ownership category, and the aggregate balance insured up to at least the Standard Maximum Deposit Insurance Amount (SMDIA) of $ 250,000 per depositor, at each separately chartered financial institution.

5. SUBSEQUENT EVENTS

The Organization adopted FASB ASC 855-10, "Subsequent Events", which requires an entity to recognize in the financial statements the effects of significant, material subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position. For nonrecognized subsequent events that must be disclosed to keep the financial statements from being misleading, an entity is required to disclose the nature of the event, as well as an estimate of its financial effect, or a statement that such an estimate cannot be made. In addition, FASB ASC 855-10 requires an entity to disclose the date through which subsequent events have been evaluated. The Organization has evaluated subsequent events through the issuance of its statements on October 21, 2013.