

**Small Steps Nurturing Center**

Financial Statements and  
Independent Auditors' Report  
for the years ended December 31, 2007 and 2006

**Independent Auditors' Report**

To the Board of Directors of  
Small Steps Nurturing Center:

We have audited the accompanying statements of financial position of Small Steps Nurturing Center as of December 31, 2007 and 2006 and the related statements of activities, of functional expenses, and of cash flows for the years then ended. These financial statements are the responsibility of Small Steps Nurturing Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Small Steps Nurturing Center as of December 31, 2007 and 2006 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.

*Blazek & Vetterling*

July 1, 2008

## Small Steps Nurturing Center

Statements of Financial Position as of December 31, 2007 and 2006

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	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 995,061	\$ 786,304
Pledges receivable, due within one year	35,000	279,529
Prepaid expenses and deposits	12,501	19,168
Cash restricted for higher education	147,497	142,517
Cash designated or restricted for endowment	213,174	58,422
Property, net ( <i>Note 2</i> )	<u>2,430,660</u>	<u>2,474,589</u>
<b>TOTAL ASSETS</b>	<b><u>\$3,833,893</u></b>	<b><u>\$3,760,529</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 25,732	\$ 20,540
Deferred revenue – sporting clay tournament	<u>                    </u>	<u>5,000</u>
Total liabilities	<u>25,732</u>	<u>25,540</u>
Net assets:		
Unrestricted ( <i>Note 3</i> )	3,407,793	3,462,609
Temporarily restricted ( <i>Note 4</i> )	<u>400,368</u>	<u>272,380</u>
Total net assets	<u>3,808,161</u>	<u>3,734,989</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$3,833,893</u></b>	<b><u>\$3,760,529</u></b>

*See accompanying notes to financial statements.*

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## Small Steps Nurturing Center

Statement of Activities for the year ended December 31, 2007

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 225,344	\$ 283,606	\$ 508,950
Golf tournament	815,200		815,200
Sporting clay tournament	420,222		420,222
Cost of direct donor benefits	(248,268)		(248,268)
Interest and dividends	<u>33,289</u>	<u>4,980</u>	<u>38,269</u>
Total revenue	1,245,787	288,586	1,534,373
Net assets released from restrictions:			
Property expenditures	37,640	(37,640)	
Program expenditures	<u>122,958</u>	<u>(122,958)</u>	
Total	<u>1,406,385</u>	<u>127,988</u>	<u>1,534,373</u>
EXPENSES:			
Program services	1,285,459		1,285,459
Management and general	60,694		60,694
Fundraising	<u>115,048</u>		<u>115,048</u>
Total expenses	<u>1,461,201</u>		<u>1,461,201</u>
CHANGES IN NET ASSETS	(54,816)	127,988	73,172
Net assets, beginning of year	<u>3,462,609</u>	<u>272,380</u>	<u>3,734,989</u>
Net assets, end of year	<u>\$3,407,793</u>	<u>\$ 400,368</u>	<u>\$3,808,161</u>

*See accompanying notes to financial statements.*

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## Small Steps Nurturing Center

Statement of Activities for the year ended December 31, 2006

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 489,756	\$ 107,733	\$ 597,489
Golf tournament	755,034		755,034
Sporting clay tournament	377,473		377,473
Cost of direct donor benefits	(240,786)		(240,786)
Interest and dividends	<u>65,445</u>	<u>4,905</u>	<u>70,350</u>
Total revenue	1,446,922	112,638	1,559,560
Net assets released from restrictions:			
Property expenditures	1,079,310	(1,079,310)	
Program expenditures	<u>53,089</u>	<u>(53,089)</u>	
Total	<u>2,579,321</u>	<u>(1,019,761)</u>	<u>1,559,560</u>
EXPENSES:			
Program services	945,976		945,976
Management and general	45,595		45,595
Fundraising	<u>150,411</u>		<u>150,411</u>
Total expenses	<u>1,141,982</u>		<u>1,141,982</u>
CHANGES IN NET ASSETS	1,437,339	(1,019,761)	417,578
Net assets, beginning of year	<u>2,025,270</u>	<u>1,292,141</u>	<u>3,317,411</u>
Net assets, end of year	<u>\$3,462,609</u>	<u>\$ 272,380</u>	<u>\$3,734,989</u>

*See accompanying notes to financial statements.*

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## Small Steps Nurturing Center

### Statement of Functional Expenses for the year ended December 31, 2007

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 773,118	\$ 28,181	\$ 55,345	\$ 856,644
Employer payroll taxes	57,403	1,810	3,902	63,115
Employee benefits	52,954	3,102	2,785	58,841
Depreciation	116,585	2,333	3,336	122,254
Utilities	52,064	2,613	3,005	57,682
Social emotional professional services	44,200			44,200
Supplies	35,594	2,802	1,265	39,661
Professional services	7,214	13,386	12,484	33,084
Food	32,226			32,226
Repairs and maintenance	28,436	1,081	1,260	30,777
Insurance	22,530	2,836	2,457	27,823
Transportation	22,061			22,061
Continuing education	10,408			10,408
Printing and publications	60	766	9,193	10,019
Extended day program	10,000			10,000
Software			5,818	5,818
Equipment rental			4,685	4,685
Meals and entertainment	3,618	891	29	4,538
Clothing	4,530			4,530
Advertising			4,300	4,300
Toys	3,750			3,750
Postage and shipping	220	495	644	1,359
Other	<u>8,488</u>	<u>398</u>	<u>4,540</u>	<u>13,426</u>
Total expenses	<u>\$1,285,459</u>	<u>\$ 60,694</u>	<u>\$ 115,048</u>	<u>\$1,461,201</u>

*See accompanying notes to financial statements.*

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## Small Steps Nurturing Center

### Statement of Functional Expenses for the year ended December 31, 2006

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 577,936	\$ 21,392	\$ 62,401	\$ 661,729
Employer payroll taxes	42,703	1,398	4,442	48,543
Employee benefits	62,489	1,099	2,640	66,228
Depreciation	73,525	1,427	2,102	77,054
Utilities	38,778	2,355	2,701	43,834
Supplies	17,826	1,792	751	20,369
Professional services	50,958	11,150	38,250	100,358
Food	22,416			22,416
Repairs and maintenance	12,969	586	787	14,342
Insurance	17,084	2,647	2,267	21,998
Transportation	14,995			14,995
Continuing education	2,575		35	2,610
Printing and publications	387	43	12,092	12,522
Equipment rental	1,965		4,686	6,651
Meals and entertainment	1,694	529	8,530	10,753
Clothing	2,350			2,350
Toys	2,350			2,350
Postage and shipping	120	155	1,875	2,150
Other	<u>2,856</u>	<u>1,022</u>	<u>6,852</u>	<u>10,730</u>
Total expenses	<u>\$ 945,976</u>	<u>\$ 45,595</u>	<u>\$ 150,411</u>	<u>\$1,141,982</u>

*See accompanying notes to financial statements.*

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## Small Steps Nurturing Center

Statements of Cash Flows for the years ended December 31, 2007 and 2006

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	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 73,172	\$ 417,578
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	122,254	77,054
Change in operating assets and liabilities:		
Pledges receivable	244,529	(257,229)
Prepaid expenses and deposits	6,667	(11,213)
Accounts payable	5,192	745
Deferred revenue – sporting clay tournament	<u>(5,000)</u>	<u>(59,283)</u>
Net cash provided by operating activities	<u>446,814</u>	<u>167,652</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net change in cash held for long-term purposes	(159,732)	1,319,387
Purchases of property and equipment	<u>(78,325)</u>	<u>(1,182,252)</u>
Net cash provided (used) by investing activities	<u>(238,057)</u>	<u>137,135</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from contributions restricted for building projects		<u>10,000</u>
Net cash provided by financing activities		<u>10,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>208,757</b>	<b>314,787</b>
Cash, beginning of year	<u>786,304</u>	<u>471,517</u>
Cash, end of year	<u>\$ 995,061</u>	<u>\$ 786,304</u>

*See accompanying notes to financial statements.*

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## Small Steps Nurturing Center

Notes to Financial Statements for the years ended December 31, 2007 and 2006

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### NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Small Steps Nurturing Center (Small Steps) is a Texas nonprofit corporation, located in Houston, providing a comprehensive early childhood development program aimed at giving at-risk, pre-school-age children and their parents the opportunity to grow socially, emotionally, physically, intellectually, and spiritually. Small Steps relies on charitable contributions for support of its program and does not solicit or accept governmental funding.

Income tax status – Small Steps is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1).

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Cash concentration – Bank deposits exceed the federally insured limit of \$100,000 per depositor per institution.

Pledges receivable due within one year are recorded at net realizable value. Amounts due in more than one year are discounted, if material, to estimate the present value of future cash flows.

Property is recorded at cost if purchased or at fair value at the date of gift if contributed. Property is depreciated using the straight-line method over estimated useful lives ranging from 3 to 30 years.

Contributions are recorded at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are recorded as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

In-kind contributions – Donated materials, use of facilities and services are recorded at fair value as contributions when an unconditional commitment is received from the donor. The related expense is recorded as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the reported revenues and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Reclassifications – Certain reclassifications have been made to prior year financial statements to conform to the current presentation.

## **NOTE 2 – PROPERTY**

Property consists of the following:

	<u>2007</u>	<u>2006</u>
Land	\$ 307,978	\$ 307,978
Buildings and improvements	2,330,927	2,302,774
Office furniture and equipment	101,923	92,348
Classroom equipment and supplies	143,006	162,972
Vans	<u>118,136</u>	<u>88,958</u>
Total property, at cost	3,001,970	2,955,030
Accumulated depreciation	<u>(571,310)</u>	<u>(480,441)</u>
Property, net	<u>\$2,430,660</u>	<u>\$2,474,589</u>

## **NOTE 3 – UNRESTRICTED NET ASSETS**

Unrestricted net assets consist of the following:

	<u>2007</u>	<u>2006</u>
Undesignated	\$ 977,133	\$ 988,020
Invested in property and equipment	<u>2,430,660</u>	<u>2,474,589</u>
Total unrestricted net assets	<u>\$3,407,793</u>	<u>\$3,462,609</u>

## **NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2007</u>	<u>2006</u>
Term endowment to support school operations	\$ 209,828	\$ 58,422
Higher education	147,497	142,517
Future operations – pledge receivable	35,000	49,800
Nutrition program	7,500	15,000
Other	<u>543</u>	<u>6,641</u>
Total temporarily restricted net assets	<u>\$ 400,368</u>	<u>\$ 272,380</u>

**NOTE 5 – IN-KIND CONTRIBUTIONS**

The following in-kind contributions are included in revenue as unrestricted contributions and in expenses in their respective functional categories:

	<u>2007</u>	<u>2006</u>
Program supplies and food	\$ 16,803	\$ 15,673
Advertising	4,000	4,000
Printing and publications	2,000	2,000
Accounting services	<u>          </u>	<u>1,200</u>
Total in-kind contributions	<u>\$ 22,803</u>	<u>\$ 22,873</u>

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