

**Small Steps Nurturing Center**

Financial Statements and  
Independent Auditors' Report  
for the years ended December 31, 2008 and 2007

**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, 2008 and 2007 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, 2008 and 2007 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*

March 25, 2009

## Small Steps Nurturing Center

Statements of Financial Position as of December 31, 2008 and 2007

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	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 699,654	\$ 995,061
Pledges receivable ( <i>Note 2</i> )	254,500	35,000
Prepaid expenses and deposits	24,984	12,501
Cash restricted for higher education	149,827	147,497
Cash designated or restricted for endowment	248,955	213,174
Property, net ( <i>Note 3</i> )	<u>2,343,828</u>	<u>2,430,660</u>
 TOTAL ASSETS	 <u>\$3,721,748</u>	 <u>\$3,833,893</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ <u>37,013</u>	\$ <u>25,732</u>
Net assets:		
Unrestricted	2,957,880	3,407,793
Temporarily restricted ( <i>Note 4</i> )	<u>726,855</u>	<u>400,368</u>
Total net assets	<u>3,684,735</u>	<u>3,808,161</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$3,721,748</u>	 <u>\$3,833,893</u>

See accompanying notes to financial statements.

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## Small Steps Nurturing Center

Statement of Activities for the year ended December 31, 2008

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 210,430	\$ 472,096	\$ 682,526
Golf tournament	790,150		790,150
Sporting clay tournament	409,998		409,998
Cost of direct donor benefits	(257,040)		(257,040)
Interest and dividends	<u>19,314</u>	<u>2,330</u>	<u>21,644</u>
Total revenue	1,172,852	474,426	1,647,278
Net assets released from restrictions:			
Program expenditures	102,939	(102,939)	
Property expenditures	10,000	(10,000)	
Expiration of time restrictions	<u>35,000</u>	<u>(35,000)</u>	<u>          </u>
Total	<u>1,320,791</u>	<u>326,487</u>	<u>1,647,278</u>
EXPENSES:			
Program services	1,508,928		1,508,928
Management and general	84,636		84,636
Fundraising	<u>177,140</u>		<u>177,140</u>
Total expenses	<u>1,770,704</u>		<u>1,770,704</u>
CHANGES IN NET ASSETS	(449,913)	326,487	(123,426)
Net assets, beginning of year	<u>3,407,793</u>	<u>400,368</u>	<u>3,808,161</u>
Net assets, end of year	<u>\$2,957,880</u>	<u>\$ 726,855</u>	<u>\$3,684,735</u>

*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:			
Program expenditures	122,958	(122,958)	
Property expenditures	<u>37,640</u>	<u>(37,640)</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 Functional Expenses for the year ended December 31, 2008

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 936,311	\$ 42,480	\$ 81,924	\$1,060,715
Employer payroll taxes	70,236	2,840	5,841	78,917
Employee benefits	63,286	3,766	6,389	73,441
Depreciation	112,170	2,255	3,218	117,643
Professional services	14,675	16,269	32,022	62,966
Social emotional professional services	56,043			56,043
Utilities	46,992	2,532	2,913	52,437
Supplies	39,714	1,987	1,477	43,178
Food	42,442			42,442
Repairs and maintenance	26,801	6,607	1,180	34,588
Insurance	19,276	3,182	2,760	25,218
Transportation	24,214			24,214
Extended day program	20,000			20,000
Continuing education	18,366		70	18,436
Printing and publications	1,240	317	13,744	15,301
Equipment rental	2,604		6,441	9,045
Advertising			8,966	8,966
Clothing	4,500			4,500
Toys	4,500			4,500
Meals and entertainment	3,096	602	167	3,865
Postage and shipping	133	531	1,777	2,441
Software		450	1,382	1,832
Other	<u>2,329</u>	<u>818</u>	<u>6,869</u>	<u>10,016</u>
Total expenses	<u>\$1,508,928</u>	<u>\$ 84,636</u>	<u>\$ 177,140</u>	<u>\$1,770,704</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
Professional services	7,214	13,386	12,484	33,084
Social emotional professional services	44,200			44,200
Utilities	52,064	2,613	3,005	57,682
Supplies	35,594	2,802	1,265	39,661
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
Extended day program	10,000			10,000
Continuing education	10,408			10,408
Printing and publications	60	766	9,193	10,019
Equipment rental			4,685	4,685
Advertising			4,300	4,300
Clothing	4,530			4,530
Toys	3,750			3,750
Meals and entertainment	3,618	891	29	4,538
Postage and shipping	220	495	644	1,359
Software			5,818	5,818
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

Statements of Cash Flows for the years ended December 31, 2008 and 2007

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	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (123,426)	\$ 73,172
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	117,643	122,254
Contributions restricted for capital projects	(321,000)	
Change in operating assets and liabilities:		
Pledges receivable (operating)	(19,500)	244,529
Prepaid expenses and deposits	(12,483)	6,667
Accounts payable	11,281	5,192
Deferred revenue – sporting clay tournament	<u>                    </u>	<u>(5,000)</u>
Net cash provided (used) by operating activities	<u>(347,485)</u>	<u>446,814</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in cash held for long-term purposes	(38,111)	(159,732)
Purchases of property	<u>(30,811)</u>	<u>(78,325)</u>
Net cash used by investing activities	<u>(68,922)</u>	<u>(238,057)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from contributions restricted for capital projects	<u>121,000</u>	
Net cash provided by financing activities	<u>121,000</u>	
NET CHANGE IN CASH	(295,407)	208,757
Cash, beginning of year	<u>995,061</u>	<u>786,304</u>
Cash, end of year	<u>\$ 699,654</u>	<u>\$ 995,061</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, 2008 and 2007

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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 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.

**NOTE 2 – PLEDGES RECEIVABLE**

Pledges receivable as of December 31, 2008 are expected to be collected as follows:

Due within one year	\$ 154,500
Due in one to five years	<u>100,000</u>
Total pledges receivable	<u>\$ 254,500</u>

At December 31, 2008, 79% of pledges receivable were receivable from one donor.

**NOTE 3 – PROPERTY**

Property consists of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 307,978	\$ 307,978
Buildings and improvements	2,330,927	2,330,927
Office furniture and equipment	101,923	101,923
Classroom equipment and supplies	152,416	143,006
Vans	<u>139,537</u>	<u>118,136</u>
Total property, at cost	3,032,781	3,001,970
Accumulated depreciation	<u>(688,953)</u>	<u>(571,310)</u>
Property, net	<u>\$2,343,828</u>	<u>\$2,430,660</u>

**NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2008</u>	<u>2007</u>
Capital improvements	\$ 321,000	
Term endowment to support school operations	223,429	\$ 209,828
Higher education	149,827	147,497
Future operations – pledge receivable	30,000	35,000
Nutrition program		7,500
Other	<u>2,599</u>	<u>543</u>
Total temporarily restricted net assets	<u>\$ 726,855</u>	<u>\$ 400,368</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>2008</u>	<u>2007</u>
Program supplies and food	\$ 17,225	\$ 16,803
Advertising	2,000	4,000
Printing and publications	<u>4,000</u>	<u>2,000</u>
Total in-kind contributions	<u>\$ 23,225</u>	<u>\$ 22,803</u>

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