

**Small Steps Nurturing Center**

Financial Statements  
and Independent Auditors' Report  
for the years ended December 31, 2010 and 2009

**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, 2010 and 2009 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, 2010 and 2009 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*

May 13, 2011

## Small Steps Nurturing Center

Statements of Financial Position as of December 31, 2010 and 2009

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	<u>2010</u>	<u>2009</u>
ASSETS		
Cash	\$ 363,894	\$ 360,655
Pledges receivable		20,000
Prepaid expenses	17,319	17,164
Cash restricted for higher education	151,085	151,085
Cash designated or restricted for endowment	378,244	373,429
Assets restricted for capital improvements	571,000	579,747
Property, net ( <i>Note 2</i> )	<u>2,188,122</u>	<u>2,245,385</u>
 TOTAL ASSETS	 <u>\$ 3,669,664</u>	 <u>\$ 3,747,465</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ <u>50,706</u>	\$ <u>41,839</u>
Net assets:		
Unrestricted	2,501,609	2,579,304
Temporarily restricted ( <i>Note 3</i> )	<u>1,117,349</u>	<u>1,126,322</u>
Total net assets	<u>3,618,958</u>	<u>3,705,626</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,669,664</u>	 <u>\$ 3,747,465</u>

*See accompanying notes to financial statements.*

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## Small Steps Nurturing Center

Statement of Activities for the year ended December 31, 2010

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUE:			
Contributions	\$ 501,003	\$ 214,361	\$ 715,364
Golf tournament	752,650		752,650
Sporting clay tournament	523,874		523,874
Wine Classic event	318,882		318,882
Cost of direct donor benefits	(357,359)		(357,359)
Interest and dividends	<u>4,045</u>	<u>                    </u>	<u>4,045</u>
Total revenue	1,743,095	214,361	1,957,456
Net assets released from restrictions:			
Program expenditures	174,587	(174,587)	
Property expenditures	28,747	(28,747)	
Expiration of time restrictions	<u>20,000</u>	<u>(20,000)</u>	<u>                    </u>
Total	<u>1,966,429</u>	<u>(8,973)</u>	<u>1,957,456</u>
EXPENSES:			
Program services	1,719,362		1,719,362
Management and general	93,579		93,579
Fundraising	<u>231,183</u>	<u>                    </u>	<u>231,183</u>
Total expenses	<u>2,044,124</u>	<u>                    </u>	<u>2,044,124</u>
CHANGES IN NET ASSETS	(77,695)	(8,973)	(86,668)
Net assets, beginning of year	<u>2,579,304</u>	<u>1,126,322</u>	<u>3,705,626</u>
Net assets, end of year	<u>\$ 2,501,609</u>	<u>\$ 1,117,349</u>	<u>\$ 3,618,958</u>

*See accompanying notes to financial statements.*

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## Small Steps Nurturing Center

Statement of Activities for the year ended December 31, 2009

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE:</b>			
Contributions	\$ 442,602	\$ 598,477	\$ 1,041,079
Golf tournament	719,200	5,000	724,200
Sporting clay tournament	421,492		421,492
Wine Classic event	26,450		26,450
Cost of direct donor benefits	(241,211)		(241,211)
Interest and dividends	<u>8,047</u>		<u>8,047</u>
Total revenue	1,376,580	603,477	1,980,057
Net assets released from restrictions:			
Program expenditures	143,257	(143,257)	
Property expenditures	11,253	(11,253)	
Expiration of time restrictions	<u>49,500</u>	<u>(49,500)</u>	
Total	<u>1,580,590</u>	<u>399,467</u>	<u>1,980,057</u>
<b>EXPENSES:</b>			
Program services	1,657,865		1,657,865
Management and general	114,353		114,353
Fundraising	<u>186,948</u>		<u>186,948</u>
Total expenses	<u>1,959,166</u>		<u>1,959,166</u>
<b>CHANGES IN NET ASSETS</b>	(378,576)	399,467	20,891
Net assets, beginning of year	<u>2,957,880</u>	<u>726,855</u>	<u>3,684,735</u>
Net assets, end of year	<u>\$ 2,579,304</u>	<u>\$ 1,126,322</u>	<u>\$ 3,705,626</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, 2010

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 1,124,980	\$ 50,697	\$ 106,243	\$ 1,281,920
Employee benefits	127,219	700	5,427	133,346
Employer payroll taxes	83,174	4,679	7,650	95,503
Depreciation	107,294	1,759	2,639	111,692
Professional services	40,003	21,536	32,612	94,151
Utilities	41,532	2,964	3,321	47,817
Food	35,299			35,299
Repairs and maintenance	30,069	1,692	2,017	33,778
Printing and publications	511	16	28,973	29,500
Insurance	22,887	2,954	2,782	28,623
Transportation	21,262		4,656	25,918
Supplies	21,809	439	3,198	25,446
Continuing education	20,245			20,245
Extended day program	20,000			20,000
Equipment rental	3,031		16,180	19,211
Software and website	1,502		8,187	9,689
Clothing and toys	9,132			9,132
Other	9,413	6,143	7,298	22,854
Total expenses	<u>\$ 1,719,362</u>	<u>\$ 93,579</u>	<u>\$ 231,183</u>	<u>\$ 2,044,124</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, 2009

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	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 1,064,459	\$ 47,970	\$ 94,376	\$ 1,206,805
Employee benefits	97,604	3,487	7,504	108,595
Employer payroll taxes	79,481	3,209	6,725	89,415
Depreciation	110,462	2,063	2,986	115,511
Professional services	77,279	27,727	31,392	136,398
Utilities	48,531	1,413	2,714	52,658
Food	34,357			34,357
Repairs and maintenance	22,430	2,385	1,578	26,393
Printing and publications	210		14,680	14,890
Insurance	27,064	3,735	3,600	34,399
Transportation	22,541			22,541
Supplies	24,221	2,151	1,415	27,787
Continuing education	12,543			12,543
Extended day program	20,000			20,000
Equipment rental	2,749		6,896	9,645
Advertising			5,686	5,686
Software and website			3,673	3,673
Clothing and toys	9,000			9,000
Other	4,934	20,213	3,723	28,870
Total expenses	<u>\$ 1,657,865</u>	<u>\$ 114,353</u>	<u>\$ 186,948</u>	<u>\$ 1,959,166</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, 2010 and 2009

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	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (86,668)	\$ 20,891
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	111,692	115,511
Contributions restricted for capital projects		(250,000)
Change in operating assets and liabilities:		
Pledges receivable (operating)	20,000	34,500
Prepaid expenses	(155)	7,820
Accounts payable	<u>8,867</u>	<u>4,826</u>
Net cash provided (used) by operating activities	<u>53,736</u>	<u>(66,452)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property	(54,429)	(17,068)
Net change in cash held for long-term purposes	<u>(4,815)</u>	<u>(125,732)</u>
Net cash used by investing activities	<u>(59,244)</u>	<u>(142,800)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net change in assets restricted for capital improvements	8,747	(358,747)
Proceeds from contributions restricted for capital projects	<u>          </u>	<u>350,000</u>
Net cash provided (used) by financing activities	<u>8,747</u>	<u>(8,747)</u>
<b>NET CHANGE IN CASH</b>	<b>3,239</b>	<b>(217,999)</b>
Cash, beginning of year	<u>360,655</u>	<u>578,654</u>
Cash, end of year	<u>\$ 363,894</u>	<u>\$ 360,655</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, 2010 and 2009

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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, Texas, 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.

Federal 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).

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.

Assets restricted for capital improvements include cash of \$571,000 at December 31, 2010 and cash of \$479,747 and pledges receivable of \$100,000 at December 31, 2009.

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.

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.

Contributions are recorded as revenue 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 amounts of reported revenue 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 the prior year financial statements to conform with the current presentation.

## **NOTE 2 – PROPERTY**

Property consists of the following:

	<u>2010</u>	<u>2009</u>
Land	\$ 307,978	\$ 307,978
Buildings and improvements	2,376,675	2,346,580
Office furniture and equipment	111,024	101,923
Classroom equipment and supplies	162,519	153,831
Vans	139,537	139,537
Construction in progress	<u>6,545</u>	<u>          </u>
Property, at cost	3,104,278	3,049,849
Accumulated depreciation	<u>(916,156)</u>	<u>(804,464)</u>
Property, net	<u>\$ 2,188,122</u>	<u>\$ 2,245,385</u>

## **NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Capital improvements	\$ 571,000	\$ 579,747
Term endowment to support school operations	378,244	373,429
Higher education	151,085	151,085
Time restricted		20,000
Other	<u>17,020</u>	<u>2,061</u>
Total temporarily restricted net assets	<u>\$ 1,117,349</u>	<u>\$ 1,126,322</u>

#### **NOTE 4 – CONCENTRATION OF CONTRIBUTIONS**

In 2009, contributions from one donor were \$500,000 or 49% of total contributions.

#### **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>2010</u>	<u>2009</u>
Program supplies and food	\$ 15,800	\$ 14,400
Printing and publications	4,000	4,000
Advertising		2,000
Other	<u>3,500</u>	<u>3,500</u>
Total in-kind contributions	<u>\$ 23,300</u>	<u>\$ 23,900</u>

#### **NOTE 6 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through May 13, 2011, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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