

SSDN

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2011

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Independent Auditors' Report

Board of Directors
SSDN
St. Louis, Missouri

We have audited the accompanying statements of financial position of SSDN (the "Organization") as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years 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 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 of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 the 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 SSDN as of December 31, 2011 and 2010, 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.

Brown Smith Wallace, L.L.C.

St. Louis, Missouri
May 23, 2012

SSDN

Statements of Financial Position

December 31, 2011 and 2010

| | 2011 | 2010 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 822,078 | \$ 252,771 |
| United Way receivable | 241,829 | 227,829 |
| Grants receivable | 113,188 | 63,344 |
| Capital Campaign pledges receivable, current portion | 119,537 | - |
| Accounts receivable - other | 93,479 | 11,291 |
| Prepaid expenses | 12,372 | 43,934 |
| Property held for sale | - | 42,000 |
| Total Current Assets | 1,402,483 | 641,169 |
| Capital Campaign Pledges Receivable, less current portion | 453,989 | - |
| Property and Equipment, net | 582,129 | 521,980 |
| Property Held for Sale | 326,500 | - |
| TOTAL ASSETS | \$ 2,765,101 | \$ 1,163,149 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Line-of-credit | \$ - | \$ 50,000 |
| Accounts payable | 44,142 | 46,481 |
| Accrued expenses | 32,567 | 38,366 |
| Other liability | - | 10,180 |
| Total Current Liabilities | 76,709 | 145,027 |
| Notes Payable | 342,772 | - |
| NET ASSETS | | |
| Unrestricted | 722,783 | 713,555 |
| Temporarily restricted | 1,622,837 | 304,567 |
| Total Net Assets | 2,345,620 | 1,018,122 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,765,101 | \$ 1,163,149 |

The accompanying notes are an integral part of these financial statements.

SSDN

Statement of Activities

Year ended December 31, 2011

| | Unrestricted | Temporarily Restricted | Total |
|--|------------------|---------------------------|------------------|
| Support and Revenue: | | | |
| Contributions | \$ 198,122 | \$ - | \$ 198,122 |
| Contributions in-kind | 12,766 | 149,942 | 162,708 |
| Fees and grants from governmental agencies | 590,580 | - | 590,580 |
| Private foundations and grants | 318,213 | 194,088 | 512,301 |
| Program service fees | 43,017 | - | 43,017 |
| United Way of Greater St. Louis, Inc. | 39,883 | 241,829 | 281,712 |
| Special events, net of direct expenses of \$88,300 | 144,810 | - | 144,810 |
| Capital Campaign | - | 1,024,807 | 1,024,807 |
| Rental income | 32,585 | - | 32,585 |
| Other income | 1,534 | - | 1,534 |
| Net assets released from restrictions | 292,396 | (292,396) | - |
| Total support and revenue | 1,673,906 | 1,318,270 | 2,992,176 |
| Expenses and Losses: | | | |
| Program services | 1,075,493 | - | 1,075,493 |
| Management and general | 281,467 | - | 281,467 |
| Fundraising | 216,925 | - | 216,925 |
| Total expenses | 1,573,885 | - | 1,573,885 |
| Impairment loss on property held for sale | 56,046 | - | 56,046 |
| Loss on disposition of building | 34,747 | - | 34,747 |
| Total expenses and losses | 1,664,678 | - | 1,664,678 |
| CHANGE IN NET ASSETS | 9,228 | 1,318,270 | 1,327,498 |
| Net assets at beginning of year | 713,555 | 304,567 | 1,018,122 |
| Net assets at end of year | \$ 722,783 | \$ 1,622,837 | \$ 2,345,620 |

The accompanying notes are an integral part of these financial statements.

SSDN

Statement of Activities

Year ended December 31, 2010

| | Unrestricted | Temporarily Restricted | Total |
|--|-------------------|---------------------------|---------------------|
| Support and Revenue: | | | |
| Contributions | \$ 174,962 | \$ 6,000 | \$ 180,962 |
| Contributions in-kind | 6,155 | - | 6,155 |
| Fees and grants from governmental agencies | 621,085 | - | 621,085 |
| Private foundations and grants | 345,795 | 15,884 | 361,679 |
| Program service fees | 49,475 | - | 49,475 |
| United Way of Greater St. Louis, Inc. | 17,880 | 227,829 | 245,709 |
| Special events, net of direct expenses of \$30,834 | 107,010 | - | 107,010 |
| Capital Campaign | - | - | - |
| Rental income | 22,185 | - | 22,185 |
| Other income | 2,465 | - | 2,465 |
| Net assets released from restrictions | 287,813 | (287,813) | - |
| Total support and revenue | 1,634,825 | (38,100) | 1,596,725 |
| Expenses and Losses: | | | |
| Program services | 1,120,439 | - | 1,120,439 |
| Management and general | 264,721 | - | 264,721 |
| Fundraising | 215,410 | - | 215,410 |
| Total expenses | 1,600,570 | - | 1,600,570 |
| Impairment loss on property held for sale | 86,632 | - | 86,632 |
| Loss on disposition of building | - | - | - |
| Total expenses and losses | 1,687,202 | - | 1,687,202 |
| CHANGE IN NET ASSETS | (52,377) | (38,100) | (90,477) |
| Net assets at beginning of year | 765,932 | 342,667 | 1,108,599 |
| Net assets at end of year | \$ 713,555 | \$ 304,567 | \$ 1,018,122 |

The accompanying notes are an integral part of these financial statements.

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Statement of Functional Expenses

Year ended December 31, 2011

| | Program Services | Supporting Services Management And General | Fund- Raising | Total Expenses |
|--|---------------------|--|------------------|-------------------|
| Salaries | \$ 518,949 | \$ 116,554 | \$ 88,253 | \$ 723,756 |
| Employee benefits | 74,511 | 16,734 | 12,672 | 103,917 |
| Payroll taxes and workmen's comp | 45,724 | 10,269 | 7,776 | 63,769 |
| Total salaries and related expenses | 639,184 | 143,557 | 108,701 | 891,442 |
| Program expenses | 151,649 | - | - | 151,649 |
| Professional fees | 53,473 | 74,231 | 74,622 | 202,326 |
| Supplies | 20,500 | 16,768 | 636 | 37,904 |
| Telephone | 13,340 | 1,220 | - | 14,560 |
| Postage and shipping | - | 4,122 | 5,519 | 9,641 |
| Occupancy | 55,109 | 4,792 | - | 59,901 |
| Maintenance and repairs | 54,492 | 4,738 | - | 59,230 |
| Equipment rental | 6,065 | 527 | - | 6,592 |
| Conferences, conventions, and meetings | 4,351 | 3,680 | 1,351 | 9,382 |
| Printing and publications | 691 | 1,912 | 15,508 | 18,111 |
| Dues and subscriptions | 695 | 1,422 | - | 2,117 |
| Miscellaneous | 12,780 | 18,683 | 10,588 | 42,051 |
| Interest and real estate taxes | - | 322 | - | 322 |
| Total expenses before depreciation and amortization | 1,012,329 | 275,974 | 216,925 | 1,505,228 |
| Depreciation and amortization | 63,164 | 5,493 | - | 68,657 |
| | \$ 1,075,493 | \$ 281,467 | \$ 216,925 | \$ 1,573,885 |

The accompanying notes are an integral part of these financial statements.

SSDN

Statement of Functional Expenses

Year ended December 31, 2010

| | | Supporting Services | | |
|---|---------------------|---------------------------|------------------|-------------------|
| | Program Services | Management And General | Fund- Raising | Total Expenses |
| Salaries | \$ 514,584 | \$ 134,282 | \$ 99,640 | \$ 748,506 |
| Employee benefits | 76,117 | 19,863 | 14,739 | 110,719 |
| Payroll taxes and workmen's comp | 40,387 | 10,539 | 7,820 | 58,746 |
| Total salaries and related expenses | 631,088 | 164,684 | 122,199 | 917,971 |
| Program expenses | 155,249 | - | 386 | 155,635 |
| Professional fees | 73,267 | 39,165 | 57,723 | 170,155 |
| Supplies | 14,071 | 10,949 | 416 | 25,436 |
| Telephone | 12,860 | 1,442 | 260 | 14,562 |
| Postage and shipping | - | 4,021 | 3,150 | 7,171 |
| Occupancy | 68,858 | 5,988 | - | 74,846 |
| Maintenance and repairs | 60,667 | 5,275 | - | 65,942 |
| Equipment rental | 6,564 | 571 | - | 7,135 |
| Conferences, conventions, and meetings | 22,767 | 8,153 | 4,690 | 35,610 |
| Printing and publications | 3,761 | 1,990 | 10,764 | 16,515 |
| Dues and subscriptions | 2,313 | 160 | 628 | 3,101 |
| Miscellaneous | 2,876 | 16,814 | 15,194 | 34,884 |
| Interest and real estate taxes | 2,748 | - | - | 2,748 |
| Total expenses before depreciation and amortization | 1,057,089 | 259,212 | 215,410 | 1,531,711 |
| Depreciation and amortization | 63,350 | 5,509 | - | 68,859 |
| | \$ 1,120,439 | \$ 264,721 | \$ 215,410 | \$ 1,600,570 |

The accompanying notes are an integral part of these financial statements.

SSDN

Statements of Cash Flows

Years ended December 31, 2011 and 2010

| | 2011 | 2010 |
|--|-------------------|-------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 1,327,498 | \$ (90,477) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 68,657 | 68,859 |
| Contribution of restricted property | (149,942) | - |
| Impairment loss on property held for sale | 56,046 | 86,632 |
| Loss on disposition of building | 34,747 | - |
| Present value adjustment for promises to give | 53,446 | - |
| (Increase) decrease in operating assets: | | |
| Contributions restricted for long term purposes | (1,078,253) | - |
| Accounts receivable - other | (82,188) | 30,079 |
| United Way receivable | (14,000) | (6,000) |
| Grants receivable | (49,844) | 35,331 |
| Prepaid expenses | 31,562 | (37,699) |
| Decrease in operating liabilities: | | |
| Accounts payable | (2,339) | (30,755) |
| Accrued expenses | (5,799) | (7,899) |
| Other liability | (10,180) | (12,725) |
| Net cash provided by operating activities | 179,411 | 35,346 |
| Cash flows from investing activities: | | |
| Proceeds from sale of property | 42,000 | - |
| Purchases of property and equipment | (53,385) | (41,288) |
| Net cash used in investing activities | (11,385) | (41,288) |
| Cash flows from financing activities: | | |
| Proceeds/(Repayment) on line-of-credit | (50,000) | 50,000 |
| Proceeds from contributions restricted for long term purposes | 451,281 | - |
| Net cash provided by investing activities | 401,281 | 50,000 |
| INCREASE IN CASH AND CASH EQUIVALENTS | 569,307 | 44,058 |
| Cash and cash equivalents at beginning of year | 252,771 | 208,713 |
| Cash and cash equivalents at end of year | \$ 822,078 | \$ 252,771 |

The accompanying notes are an integral part of these financial statements.

SSDN

Notes to Financial Statements

December 31, 2011

Note A - Nature of the Organization

SSDN (the “Organization”) was founded in 1886 as South Side Day Nursery by 15 Unitarian women with the mission to “prevent pauperism by assisting breadwinners with young children on their hands, to earn an honest living.” Today the Organization’s mission is to nurture, educate, and inspire children and families with limited resources, fostering healthy development and a strong foundation for success. The Organization is in the process of changing its name and is doing business as SouthSide Early Childhood Center.

The primary goal of the Organization is to give economically disadvantaged children access to quality child care and education while their families work toward financial stability. The affordable preschool programs offered are a critically important first “block” in building a strong foundation for success in school. Full-day, full-year early childhood education and child care is provided for 97 children, ages six weeks through five years of age. The program improves language and literacy skills, increasing the likelihood that children will read at grade level by the end of their kindergarten year; and increases the probability a child will graduate from high school and have increased earning power as an adult. Social-emotional skill development is a focus of the program and results in increased readiness for the routine and social environment of elementary school.

The Organization also provides much-needed family support services to parents and guardians, including monthly support meetings, nutrition education, and connections to health, employment, housing and legal services through community partnerships.

The Organization receives funding through Head Start and Early Head Start partnerships, state child care subsidy and parent fees (charged on a sliding fee scale). To bridge the gap between the cost of services and revenue the Organization receives, the Organization raises contributions annually from individuals, corporations and foundations.

Note B - Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements have been prepared using the accrual basis of accounting. Additionally, financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205-05, *Not for Profit Entities* under which the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted as follows:

Notes to Financial Statements - Continued

December 31, 2011

Note B - Summary of Significant Accounting Policies (Continued)

Basis of Accounting and Presentation (Continued)

Unrestricted – Those resources over which the Board has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose. The Organization's Board had not designated any net assets at December 31, 2011 and 2010.

Temporarily Restricted – Those resources subject to donor-imposed or time restrictions that will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted – Those resources subject to donor-imposed restrictions that will be maintained permanently by the Organization. The Organization had no permanently restricted net assets at December 31, 2011 and 2010.

Use of Estimates in Financial Statement Preparation

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Restricted and Unrestricted Revenue and Support

Grants, unconditional promises to give cash, and other assets are accrued at estimated fair value at the date each promise is received. Gifts are reported as temporarily or permanently restricted support if they are received with donor-imposed stipulations that limit the use of the donated assets. When a donor-imposed restriction is satisfied, temporarily restricted net assets are released and reported as an increase in unrestricted net assets. When donor-restricted contributions are received and used for the purpose and/or time-period intended during the same year, they are reported as an increase in unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization's cash and cash equivalents are on deposit with two major domestic financial institutions. At times, bank deposits may be in excess of federally insured limits.

Notes to Financial Statements - Continued

December 31, 2011

Note B - Summary of Significant Accounting Policies (Continued)

United Way, Grants and Other Receivables

United Way, grants and other receivables are expected to be collected within one year; therefore, management does not consider an allowance for uncollectible receivables to be necessary.

Property and Equipment

Purchases of property and equipment with a value of \$1,500 or more are capitalized, while all other purchases are recorded as an expense in the year purchased.

Property and equipment is recorded at cost, if purchased, or estimated fair value on date of receipt, if donated. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of each asset, which range from three to forty years. Depreciation expense was \$68,657 and \$68,859 for the years ended December 31, 2011 and 2010, respectively.

Functional Allocation of Expenses

Expenses are charged to each program based on the direct costs incurred. Shared costs are distributed proportionally and equitably to applicable funding sources based upon management's evaluation of the expense incurred.

Income Taxes

The Organization constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes.

The Organization has addressed the provisions of FASB ASC 740, *Accounting for Income Taxes*. In that regard, the Organization has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provisions for income taxes is necessary at this time to cover any uncertain tax positions. The Organization's federal Form 990 for tax years 2007 and later remain subject to examination by taxing authorities.

Notes to Financial Statements - Continued

December 31, 2011

Note B - Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, applies to all financial instruments that are measured and reported on a fair value basis. FASB ASC 820-10 defines fair value and establishes a framework for measuring fair value and expands disclosures about fair value measurements. FASB ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB ASC 820-10 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are significant and reflect substantial management judgment or estimation, including the use of pricing models, discounted cash flow methodologies or similar techniques.

Donated Services

The Organization records donated services and goods in accordance with FASB ASC 958-605, *Revenue Recognition*. As such, donated services are recognized when the service either creates or enhances a non-financial asset or requires specialized skill that would be purchased if the service was not donated. During the years ended December 31, 2011 and 2010, the Organization received donated services and goods valued at \$12,766 and \$6,155, respectively.

Additionally, the Organization tracks donated volunteer time received that neither enhances a non-financial asset or requires a specialized skill. Because these donations do not meet the criteria under FASB ASC 958-605, they are not recorded for financial statement purposes. These donations have an estimated fair value of \$95,837 and \$98,658 for the years ended December 31, 2011 and 2010, respectively.

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Notes to Financial Statements - Continued

December 31, 2011

Note B - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

Subsequent Events

The Organization evaluated all subsequent events through May 23, 2012, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

Note C - Conditional Promise to Give

The Organization was selected in 2008 to be a member of the Deaconess Impact Partnership. The partnership is a four year capacity building commitment from the Deaconess Foundation (the "Foundation") to fund items outside normal operations. Future commitments are subject to the annual approval of the Foundation. As a result, no amount has been reflected in these financial statements for the conditional promise to give.

The following is a reconciliation of total Management and General and Fundraising expenses ("Supporting Services") from the Statements of Functional Expenses less Foundation funded expenses for the years ended December 31:

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------------|
| Total Supporting Services | \$ 498,392 | \$ 480,131 |
| Less Foundation funded expenses | <u>(143,317)</u> | <u>(158,671)</u> |
| Total Supporting Services less Foundation funded expenses | \$ <u>355,075</u> | \$ <u>321,460</u> |

As a percentage of total expenses, Supporting Services, excluding Foundation funded expenses, as of December 31, 2011 and 2010 were 22.6% and 20.0%, respectively.

The Organization also received a conditional promise to give as part of their capital campaign (see Note D).

Notes to Financial Statements - ContinuedDecember 31, 2011

Note D - Capital Campaign

In February 2011, the Organization started a Capital Campaign for a new facility. The campaign goal is \$3.5 million for construction of a new facility. As of December 31, 2011, 41% was achieved in pledges, including a matching conditional promise to give of \$200,000. The campaign is expected to be completed in 2014.

Note E - Promises to Give

Promises to give represent temporarily restricted unconditional promises which have been made by donors but not yet received by the Organization. Promises which will be received in the subsequent years have been discounted using an estimated rate of return which could be earned if such contributions had been made in the current year, if such amount is material to the financial statements.

Promises to give consist of pledges related to the capital campaign. Balances at December 31, 2011 are as follows:

Unconditional promises to give

| | |
|------------------------------------|--------------------------|
| | <u>2011</u> |
| Due in less than one year | \$ 119,537 |
| Due in one to five years | <u>507,435</u> |
| | 626,972 |
| Less discount | <u>(53,446)</u> |
| Net unconditional promises to give | <u>\$ 573,526</u> |

Fair value for promises to give is determined by calculating the discount at a rate that approximates the Organization's incremental borrowing rate. The present value calculation shown above was calculated using a discount rate of 3.25% for the year ended December 31, 2011. Management expects to collect promises to give in full and, therefore, has not recorded an allowance for uncollectible pledges at this time.

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Notes to Financial Statements - Continued

December 31, 2011

Note F - Property Held for Sale

Assets and liabilities reported at fair value at consists of property held for sale and is reported as Level 3 values at December 31, 2011 and Level 2 values at December 31, 2010. Property held for sale has been valued using a market approach. The value of the property held for sale at December 31, 2010 was \$42,000, and was subsequently sold in May 2011 for \$42,000. All remaining properties were listed for sale in October, 2011 in anticipation of the new facility construction (see Note D). The value of the property held for sale at December 31, 2011 was \$326,500.

Property held for sale at December 31, 2010 was classified as Level 2 due to the pending sale of the property. Property held for sale at December 31, 2011 was classified as Level 3 and was valued using similar real estate property values.

Changes in assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs):

| | <u>Property Held for Sale</u> |
|-------------------|-----------------------------------|
| January 1, 2011 | \$ - |
| Additions | 326,500 |
| Changes in value | - |
| Sales | <u>-</u> |
| December 31, 2011 | \$ <u>326,500</u> |

Note G - Property and Equipment

Property and equipment consist of the following at December 31, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|--------------------|
| Land | \$ 503,094 | \$ 109,410 |
| Building | - | 496,328 |
| Furniture, equipment and vehicles | 575,689 | 634,411 |
| Leasehold improvements | <u>-</u> | <u>504,196</u> |
| | <u>1,078,783</u> | <u>1,744,345</u> |
| Less accumulated depreciation and amortization | <u>(496,654)</u> | <u>(1,222,365)</u> |
| Property and equipment, net | \$ <u>582,129</u> | \$ <u>521,980</u> |

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Notes to Financial Statements - Continued

December 31, 2011

Note H - Line-of-Credit

The Organization has a \$75,000 line-of-credit available, which matures on June 19, 2012. When funds are drawn on this line, interest is payable monthly at the prime rate, but no less than 5.0% (prime rate was 3.25% at December 31, 2011). The note is secured by property held for sale. At December 31, 2011 and 2010, the balance outstanding on this line was \$0 and \$50,000, respectively.

Note I - Long-Term Debt

| | <u>2011</u> | <u>2010</u> |
|--|-------------------|-------------|
| 5.50% note payable to IFF; interest due monthly with the principal balance due September 2014; collateralized by Jefferson property. | \$ 342,772 | \$ - |
| Less current maturities | <u>-</u> | <u>-</u> |
| Total long-term debt, less current maturities | \$ <u>342,772</u> | \$ <u>-</u> |

Maturities of long-term debt are as follows:

| <u>December 31,</u> | <u>Amount</u> |
|----------------------|-------------------|
| 2012 | \$ - |
| 2013 | - |
| 2014 | <u>342,772</u> |
| Total long-term debt | \$ <u>342,772</u> |

Note J - Other Liability

In 2007, the Organization was notified by a federal grantor to repay \$40,637 of disallowed costs that were incurred during the year ended December 31, 2006. The balance was paid-in-full in February 2011.

Note K - Contingency

In August 2011, the Organization signed a promissory note with the City of St. Louis, Missouri for land adjacent to the property on Jefferson Avenue in the amount of \$149,942 to be used for the development of a new facility. The note is expected to be forgiven upon the development of a new facility at that location. The Organization has recorded the land as a temporarily restricted in-kind contribution in the amount of \$149,942 for the year ended December 31, 2011.

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Notes to Financial Statements - Continued

December 31, 2011

Note L - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|--|--------------------|-------------------|
| Time restrictions | \$ <u>391,771</u> | \$ 233,829 |
| Program restrictions | <u>206,259</u> | 70,738 |
| Capital Campaign restrictions | <u>1,024,807</u> | <u>-</u> |
| | <u>\$1,622,837</u> | <u>\$ 304,567</u> |
| Net assets released as of December 31: | | |
| Time restrictions | \$ <u>233,829</u> | \$ 221,829 |
| Programs restrictions | <u>58,567</u> | <u>65,984</u> |
| Total net assets released | <u>\$ 292,396</u> | <u>\$ 287,813</u> |

Note M- Supplemental Disclosure of Cash Flow Information

The Organization paid cash for interest in the amounts of \$322 and \$2,494 for the years ended December 31, 2011 and 2010, respectively.

During the year ended December 31, 2011, the Organization had the following non-cash transactions:

- Pursuant to the purchase of land, the Organization financed \$342,772 under notes payable.

Note N - Benefit Plan

The Organization has a 401(k) profit sharing plan where eligible employees can contribute a percentage of their annual compensation not to exceed federal limits. The Organization made no contribution to the Plan for the years ended December 31, 2011 and 2010.

Note O - Concentration of Income Sources

In 2011 and 2010, the Organization received approximately 37% and 65% of its total program revenue from services provided under contracts with three and four sources, respectively.