SSDN

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2010

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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, 2010 and 2009, 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, 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.

Brown Smith Wallace, L.L.C.

St. Louis, Missouri
May 25, 2011

SSDN

Statements of Financial Position
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash and cash equivalents	**$ 252,771**	$ 208,713
United Way receivable	**227,829**	221,829
Grants receivable	**63,344**	98,675
Accounts receivable - other	**11,291**	41,370
Prepaid expenses	**43,934**	6,235
Property held for sale	**42,000**	128,632
Total Current Assets	**641,169**	705,454
Property and Equipment, net	**521,980**	549,551
TOTAL ASSETS	**$ 1,163,149**	$ 1,255,005
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line-of-credit	**$ 50,000**	$ -
Accounts payable	**46,481**	77,236
Accrued expenses	**38,366**	46,265
Other liability, current portion	**10,180**	11,496
Total Current Liabilities	**145,027**	134,997
Other Liability, less current portion	**-**	11,409
NET ASSETS		
Unrestricted	**713,555**	765,932
Temporarily restricted	**304,567**	342,667
Total Net Assets	**1,018,122**	1,108,599
TOTAL LIABILITIES AND NET ASSETS	**$ 1,163,149**	$ 1,255,005

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. Allocation	17,880	227,829	245,709
Special events, net of direct expenses of $30,834	107,010	-	107,010
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.

SSDN

Statement of Activities
Year ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Support and Revenue:			
Contributions	$ 126,516	$ -	$ 126,516
Contributions in-kind	19,004	-	19,004
Fees and grants from governmental agencies	554,875	-	554,875
Private foundations and grants	330,530	75,755	406,285
Program service fees	46,837	-	46,837
United Way of Greater St. Louis, Inc. Allocation	38,226	221,829	260,055
Special events, net of direct expenses of $25,989	84,102	-	84,102
Rental income	22,185	-	22,185
Other income	1,562	-	1,562
Net assets released from restrictions	258,602	(258,602)	-
Total support and revenue	1,482,439	38,982	1,521,421
Expenses:			
Program services	1,105,097	-	1,105,097
Management and general	254,610	-	254,610
Fundraising	158,284	-	158,284
Total expenses	1,517,991	-	1,517,991
Impairment loss on property held for sale	-	-	-
Loss on disposition of building	36,110	-	36,110
Total expenses and losses	1,554,101	-	1,554,101
CHANGE IN NET ASSETS	(71,662)	38,982	(32,680)
Net assets at beginning of year	837,594	303,685	1,141,279
Net assets at end of year	$ 765,932	$ 342,667	$ 1,108,599

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

SSDN

Statement of Functional Expenses
Year ended December 31, 2010

	Program Services	Supporting Services: Management And General	Supporting Services: 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

Statement of Functional Expenses
Year ended December 31, 2009

	Program Services	Supporting Services: Management And General	Supporting Services: Fund-Raising	Total Expenses
Salaries	$ 481,884	$ 127,630	$ 44,156	$ 653,670
Employee benefits	84,248	22,314	7,720	114,282
Payroll taxes and workmen's comp	41,326	10,946	3,787	56,059
Total salaries and related expenses	607,458	160,890	55,663	824,011
Program expenses	167,520	-	200	167,720
Professional fees	51,153	57,181	90,336	198,670
Supplies	19,207	6,023	29	25,259
Telephone	13,202	1,126	-	14,328
Postage and shipping	258	619	1,013	1,890
Occupancy	78,119	6,984	-	85,103
Maintenance and repairs	55,763	4,849	-	60,612
Equipment rental	7,804	679	-	8,483
Conferences, conventions, and meetings	22,867	3,947	465	27,279
Printing and publications	4,014	563	10,354	14,931
Dues and subscriptions	2,200	-	72	2,272
Miscellaneous	10,385	6,532	152	17,069
Interest and real estate taxes	5,149	-	-	5,149
Total expenses before depreciation and amortization	1,045,099	249,393	158,284	1,452,776
Depreciation and amortization	59,998	5,217	-	65,215
	$ 1,105,097	$ 254,610	$ 158,284	$ 1,517,991

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

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	$ **(90,477)**	$ (32,680)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**68,859**	65,215
Loss from disposition of building	**-**	36,110
Impairment loss on property held for sale	**86,632**	-
(Increase) decrease in operating assets:		
Accounts receivable - other	**30,079**	(15,023)
United Way receivable	**(6,000)**	8,655
Grants receivable	**35,331**	(23,993)
Prepaid expenses	**(37,699)**	7,853
(Decrease) increase in operating liabilities:		
Accounts payable	**(30,755)**	(938)
Accrued expenses	**(7,899)**	(12,182)
Other liability	**(12,725)**	(13,928)
Net cash provided by operating activities	**35,346**	19,089
Cash flows from investing activities:		
Purchases of property and equipment	**(41,288)**	(14,410)
Net cash used in investing activities	**(41,288)**	(14,410)
Cash flows from financing activities:		
Proceeds on line-of-credit	**50,000**	-
Net cash provided by investing activities	**50,000**	-
INCREASE IN CASH AND CASH EQUIVALENTS	**44,058**	4,679
Cash and cash equivalents at beginning of year	**208,713**	204,034
Cash and cash equivalents at end of year	$ **252,771**	$ 208,713

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

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 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 nearly $500,000 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 FASB ASC 958-205, SSDN 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:

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, 2010 and 2009.

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, 2010 and 2009.

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.

Note B - Summary of Significant Accounting Policies (Continued)

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.

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 grants 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.

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.

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, 2010 and 2009, the Organization received donated services and good valued at $6,155 and $19,004, 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 $98,658 and $95,425 for the years ended December 31, 2010 and 2009, respectively.

Note B - Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the 2010 presentation.

Subsequent Events

The Organization evaluated all subsequent events through May 25, 2011, the date the financial statements were available to be issued.

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 such items as organizational development, pre-development work for a new facility, improvements to information technology, consulting services, guidance, peer leadership and mentoring to the organization. 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:

	2010	2009
Total Supporting Services	**$ 480,131**	$ 412,894
Less Foundation funded expenses	**(158,671)**	(106,677)
Total Supporting Services less Foundation funded expenses	**$ 321,460**	$ 306,217

As a percentage of total expenses, Supporting Services excluding Foundation funded expenses as of December 31, 2010 and 2009 were 20.0% and 20.2%, respectively.

Note D - Property Held for Sale

Assets and liabilities reported at fair value at December 31, 2010 and 2009 solely consist of property held for sale and is reported as Level 2 values. Property held for sale has been valued using a market approach. The value of the property held for sale at December 31, 2009 was $128,632. As of December 31, 2010, it was determined that the fair market value was $42,000 based on the sales price of the property. An impairment loss on this property was recorded in the amount of $86,632. The property was sold on May 2011.

Note E - Property and Equipment

Property and equipment consist of the following at December 31, 2010 and 2009:

	2010	2009
Land	**$ 109,410**	$ 109,410
Buildings	**496,328**	496,328
Furniture, equipment and vehicles	**634,411**	593,123
Leasehold improvements	**504,196**	504,196
	1,744,345	1,703,057
Less accumulated depreciation and amortization	**(1,222,365)**	(1,153,506)
Property and equipment, net	**$ 521,980**	$ 549,551

Note F - Line-of-Credit

The Organization has a $75,000 line-of-credit available, which matures on June 19, 2011. 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, 2010). The note is secured by property. At December 31, 2010 and 2009, the balance outstanding on this line was $50,000 and $0, respectively.

Note G - Other Liability

In 2007, the Organization was notified by a federal grantor they would need to repay $40,637 of disallowed costs that were incurred during the year ended December 31, 2006. As of December 31, 2010, the remaining balance on this liability was $10,180. The balance was paid-in-full in February 2011.

Note H - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31, 2010 and 2009:

	2010	2009
Time restrictions	**$ 233,829**	$ 221,829
Program restrictions	**70,738**	120,838
	$ 304,567	$ 342,667
Net assets released as of December 31:		
Time restrictions	**$ 221,829**	$ 230,484
Programs restrictions	**65,984**	58,118
Total net assets released	**$ 287,813**	$ 258,602

Note I - Statements of Cash Flows

The Organization paid cash for interest in the amounts of $2,494 and $3,479 for the years ended December 31, 2010 and 2009, respectively.

Note J - Benefit Plan

The Organization has a 401(k) profit sharing plan where eligible employees can contribution a percentage of their annual compensation not to exceed federal limits. The Organization made a voluntary contribution to this Plan in the amount of $30,081 for the year ended December 31, 2009. The Organization made no contribution to the Plan for the year ended December 31, 2010.

Note K - Concentration of Income Sources

In both 2010 and 2009, the Organization received approximately 65% of its total program revenue from services provided under contracts with four sources.