
UNIVERSITY CITY CHILDREN'S CENTER

**FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2010 AND 2009

UNIVERSITY CITY CHILDREN'S CENTER

DECEMBER 31, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
University City Children's Center

We have audited the accompanying statements of financial position of the **University City Children's Center** as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the 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 the audit 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 the **University City Children's 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.

Kiefer Bonfanti & Co. LLP

May 19, 2011

UNIVERSITY CITY CHILDREN'S CENTER

STATEMENTS OF FINANCIAL POSITION

Assets	December 31,	
	2010	2009
Current Assets		
Cash and cash equivalents	\$ 227,598	\$ 75,107
Receivable from United Way of Greater St. Louis, Inc.	158,088	155,088
Pledges and grants receivable	57,159	25,925
Accounts receivable, net of allowance of \$2,513 and \$6,505 in 2010 and 2009, respectively	33,159	48,402
Other current assets	201	6,026
Total Current Assets	476,205	310,548
Property and Equipment, Net	2,125,430	2,296,075
Other Assets		
Restricted cash	45,431	-
Cash surrender value of life insurance	19,993	24,076
Total Other Assets	65,424	24,076
Total Assets	\$ 2,667,059	\$ 2,630,699

Liabilities and Net Assets

Current Liabilities		
Accounts payable and accrued expenses	\$ 41,835	\$ 78,142
Accrued salaries	37,531	41,103
Current portion of note payable	32,176	30,230
Accrued and withheld taxes	6,099	21,837
Deferred income	-	5,623
Total Current Liabilities	117,641	176,935
Other Liabilities		
Note payable	268,022	300,198
Rent liability	90,967	90,967
Total Other Liabilities	358,989	391,165
Net Assets		
Unrestricted	1,835,476	1,867,794
Temporarily restricted	354,953	194,805
Total Net Assets	2,190,429	2,062,599
Total Liabilities and Net Assets	\$ 2,667,059	\$ 2,630,699

UNIVERSITY CITY CHILDREN'S CENTER

STATEMENTS OF ACTIVITIES

	Years Ended December 31,	
	2010	2009
Unrestricted Net Assets		
Support, Revenue, and Gains		
Program service fees, net of discounts of \$360,690 and \$451,211	\$ 1,393,009	\$ 1,488,959
Grants	277,677	350,752
Contributions	197,031	200,272
Head Start funds	145,896	116,274
Special events	119,376	106,515
Miscellaneous	4,133	5,255
Consulting fees	26,887	34,873
	2,164,009	2,302,900
Net assets released from restrictions	368,701	159,883
Total Unrestricted Support, Revenue, and Gains	2,532,710	2,462,783
Expenses		
Program services	2,017,823	2,024,094
Management and general	390,742	394,058
Fundraising	156,463	199,821
Total Expenses	2,565,028	2,617,973
Decrease in Unrestricted Net Assets	(32,318)	(155,190)
Temporarily Restricted Net Assets		
United Way of Greater St. Louis, Inc.	158,088	155,088
Contributions restricted for purpose	370,761	39,717
Net assets released from restrictions	(368,701)	(159,883)
Increase in Temporarily Restricted Net Assets	160,148	34,922
Increase (Decrease) in Net Assets	127,830	(120,268)
Net Assets, Beginning of Year	2,062,599	2,182,867
Net Assets, End of Year	\$ 2,190,429	\$ 2,062,599

UNIVERSITY CITY CHILDREN'S CENTER

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2010	2009
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 127,830	\$ (120,268)
Adjustments:		
Depreciation and amortization	206,811	203,427
Non-cash donation of stock	-	(11,458)
Loss on disposition of assets	-	150
Change in assets and liabilities		
(Increase) decrease in operating assets		
Accounts receivable	15,243	(29,091)
Receivable from United Way of Greater St. Louis, Inc.	(3,000)	4,795
Pledges and grants receivable	(31,234)	(2,984)
Cash surrender value of life insurance	4,083	(5,140)
Other current assets	5,825	-
Increase (decrease) in operating liabilities		
Accounts payable and accrued expenses	(36,307)	(8,807)
Accrued and withheld taxes	(15,738)	2,250
Accrued salaries	(3,572)	(29,028)
Rent liability	-	10,796
Deferred income	(5,623)	(12,393)
Net Cash Provided by Operating Activities	264,318	2,249
Cash Flows from Investing Activities		
Purchase of property and equipment	(36,166)	(8,199)
Increase in restricted cash	(45,431)	-
Proceeds from sale of investments	-	9,446
Net Cash Provided (Used) by Investing Activities	(81,597)	1,247
Cash Flows from Financing Activities		
Principal payments on note payable	(30,230)	(28,404)
Net Cash Used by Financing Activities	(30,230)	(28,404)
Net Increase (Decrease) in Cash and Cash Equivalents	152,491	(24,908)
Cash and cash equivalents, beginning of year	75,107	100,015
Cash and Cash Equivalents, End of Year	\$ 227,598	\$ 75,107

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Business Description

The **University City Children's Center** (the Center) is a not-for-profit organization that provides daycare and educational services to preschool and kindergarten children of the metropolitan St. Louis area. Families of children reside principally in University City, Missouri.

The Center is supported primarily through program service fees, grants from state governmental agencies, and the United Way of Greater St. Louis, Inc.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of the Center are presented on the accrual basis of accounting.

Financial Statement Presentation

The Center reports its information regarding financial position and activities according to three classes of net assets depending upon the existence or nature of any donor-imposed restrictions. The following is a description of these classes of net assets:

Unrestricted Net Assets

Those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources that the Board has set aside for a particular purpose. Unrestricted net assets are available for operations including program services and management expenses.

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

Those resources subject to donor-imposed restrictions that will be maintained permanently by the Center. The donors of these resources permit the Center to use all or part of the income earned, including capital appreciation, on related investments for unrestricted or temporarily restricted purposes.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable arise in the normal course of operations of providing daycare services. The Center actively pursues past due accounts and believes the risk associated with carrying the receivables is mitigated by the nature of its customers, and its policies on attendance. The Center does not charge interest on any accounts receivable.

The Center provides an allowance for doubtful accounts based on historical experience and management's analysis of the current status of existing receivables. As of December 31, 2010 and 2009, management had determined the allowance to be \$2,513 and \$6,505, respectively. The Center considers any accounts receivable older than 30 days to be past due. The Center charges off accounts receivable when all collection efforts have been unsuccessful and management believes there is no chance for collection. Accounts receivable older than 90 days at December 31, 2010 and 2009 were \$6,783 and \$22,268, respectively. Bad debt expense for the years ended December 31, 2010 and 2009 was \$43,946 and \$27,429, respectively.

Property and Equipment

Property and equipment are stated at cost, or fair market value if donated, less accumulated depreciation and amortization computed on the straight-line method, over estimated useful lives of 3 to 20 years.

Investments

Securities purchased for investment, or received as contributions, are recorded at fair value.

Functional Expenses

The costs of the Center's programs and supporting services have been reported on a functional basis. This requires allocation of certain costs among the various programs and supporting services based on estimates made by management

Income Tax Status

The Center is exempt from income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status (Continued)

Financial accounting standards for uncertain tax positions prohibit financial statement recognition of the impact of a tax position if the position is not "more likely than not" to be sustained on audit, based on the technical merits of the position. The standards also provide guidance on measurement, de-recognition, classification, interest and penalties, accounting in interim periods, transition, and disclosure requirements for uncertain tax positions. The adoption of the new standards had no impact on the financial statements. The Federal Income Tax Form 990s of the Center for the years ended December 31, 2010, 2009, and 2008 are subject to examination by the Internal Revenue Service, generally for three years after they have been filed. As of December 31, 2010, no returns have been selected for examination.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Center to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Services

During the years ended December 31, 2010 and 2009, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. The Center pays for most services requiring specific expertise. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center with specific assistance programs, campaign solicitations, and various committee assignments.

Subsequent Events

The Center has evaluated subsequent events through May 19, 2011, the date which the financial statements were available to be issued, for possible recognition or disclosure.

2. CONCENTRATIONS OF CREDIT AND MARKET RISK

Financial instruments that potentially subject the Center to credit and market risk consist principally of temporary cash investments and receivables.

The Center places all of its temporary cash investments and interest-bearing investments with major financial institutions.

Concentrations of credit risk with respect to receivables are limited due to the nature of these receivables. The Center also receives donations of marketable securities that are subject to market risk. Market risk is the possibility that future changes in market price may make a financial instrument less valuable. Market risk on donated securities is limited by the Center's policy to promptly sell the securities.

UNIVERSITY CITY CHILDREN'S CENTER

Notes to Financial Statements (Continued)

3. PROPERTY AND EQUIPMENT

	December 31,	
	2010	2009
Building and improvements	\$ 2,942,685	\$ 2,941,285
Playground equipment	253,761	253,761
Classroom equipment	68,488	68,488
Office equipment	62,539	52,776
Software	21,589	7,504
Garden Project	10,917	-
Property and equipment, at cost	3,359,979	3,323,814
Less accumulated depreciation and amortization	(1,234,549)	(1,027,739)
Property and Equipment, Net	\$ 2,125,430	\$ 2,296,075

Depreciation expense was \$206,811 and \$203,427 for the years ended December 31, 2010 and 2009, respectively.

4. NOTE PAYABLE

	December 31,	
	2010	2009
Note payable to Washington University for playground equipment, computers, and facility equipment. The amount of the loan is \$432,119, maturing in June 2018, payable in monthly installments of \$4,158. Interest rate on the loan is 6.25%.	\$ 300,198	\$ 330,428
Less Current Portion	(32,176)	(30,230)
Total Notes Payable, net of current portion	\$ 268,022	\$ 300,198

The following is a schedule of principal amounts due in future years:

Year Ending December 31,	Amount
2011	\$ 32,176
2012	34,246
2013	36,450
2014	38,791
2015	41,287
Thereafter	117,248
	\$ 300,198

UNIVERSITY CITY CHILDREN'S CENTER

Notes to Financial Statements (Continued)

5. LEASE AGREEMENTS

The Center has entered into a lease agreement with Washington University (landlord) for a building with an option to purchase. The landlord made a \$500,000 contribution to the Center, in exchange for the Center making all necessary improvements for its new facility, granting the children of employees of the landlord a priority right to fill a certain number of positions at the facility, and granting landlord representation on the governing board of the Center.

The term of the lease is for a period of 20 years. The lease may be extended for an indefinite number of renewal periods of 10 years each. The purchase option must occur no sooner than the 10 year anniversary. The purchase price will be based on the fair market value at the option date less the unamortized balance of improvements made to the building.

The base rent shall initially be \$1 per year for five years. On the fifth anniversary, the base rent shall be adjusted to \$1 per square foot per year for 10 years. On the 15th year, the base rent shall be adjusted to \$2 per square foot per year. The lease will be renegotiated for each renewal period.

In March 2010, the lease was amended to reflect expanded square footage of the Center.

Rent expense was \$27,987 and \$21,380 at December 31, 2010 and 2009, respectively based on a straight line calculation of the total rent and lease term.

6. LIFE INSURANCE

At December 31, 2010, the Center was the named beneficiary of \$200,000 in life insurance carried on the life of the Executive Director. The cash value accumulated on this policy was \$19,993.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes:

	December 31,	
	2010	2009
Contributions restricted for purpose		
Deaconess Foundation	\$ 90,634	\$ 4,600
Lutheran Foundation	36,680	19,772
Adventure Playground	24,010	8,000
Scholarship - Sugarbaker	15,623	-
Scholarship - Mr. Z	14,269	-
Family Organization	10,424	-
Chase Foundation	3,225	5,345
Cardinals Care	2,000	2,000
Contributions restricted for time		
United Way of Greater St. Louis, Inc. Funding	158,088	155,088
Total	\$ 354,953	\$ 194,805

8. DEACONESS FOUNDATION IMPACT PARTNER

In 2009, the Center was chosen as a Deaconess Foundation Impact Partner. As an Impact Partner, the Center receives multi-year funding to develop and execute the areas of a Capacity Building Plan. For the year ended December 31, 2010, the Center received \$232,400 in funding, and incurred actual expenses of \$146,366. For the year ended December 31, 2009, the Center received \$81,974 in funding and incurred actual expenses of \$77,374.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors of the
University City Children's Center

We have audited the financial statements of **University City Children's Center** as of and for the years ended December 31, 2010 and 2009 and have issued our report thereon dated May 19, 2011, which contained an unqualified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Kiefer Bonfanti & Co. LLP

May 19, 2011

UNIVERSITY CITY CHILDREN'S CENTER

FUNCTIONAL EXPENSES

Year Ended December 31, 2010

	Program Services	Management and General	Fundraising	Total	2009 Total
Salaries	\$ 1,145,858	\$ 134,807	\$ 67,403	\$ 1,348,068	\$ 1,362,151
Employee health and retirement benefits	166,612	19,601	9,801	196,014	252,423
Payroll taxes	97,048	11,417	5,709	114,174	115,379
Total salaries and related expenses	1,409,518	165,825	82,913	1,658,256	1,729,953
Professional fees and contract service payments	24,645	118,145	12,000	154,790	113,776
Supplies	129,685	15,257	7,629	152,571	165,949
Rental and maintenance equipment	67,518	7,943	3,972	79,433	81,366
Occupancy	56,300	6,624	3,312	66,235	59,093
Bad debt expense	43,946	-	-	43,946	27,429
Family organization events	29,513	-	-	29,513	16,155
Insurance	23,653	2,783	1,391	27,827	24,247
Special events	-	-	24,603	24,603	38,757
Conferences, conventions and meetings	18,355	2,159	1,080	21,594	26,933
Accounting fees	-	20,042	-	20,042	25,450
Interest	16,716	1,967	983	19,666	21,494
Miscellaneous	12,612	1,484	742	14,838	(3,311)
Telephone	11,348	1,335	668	13,351	15,773
Advertising and marketing	-	-	12,875	12,876	44,595
Printing and publications	-	6,980	776	7,755	8,847
Membership dues	3,293	-	-	3,293	1,185
Postage and shipping	666	665	1,332	2,664	2,175
Bank and credit card charge	2,579	-	-	2,579	1,767
Travel	2,027	239	119	2,385	12,913
Total Expenses Before Depreciation	1,852,374	351,448	154,395	2,358,217	2,414,546
Depreciation and amortization	165,449	39,294	2,068	206,811	203,427
Total Expenses	\$ 2,017,823	\$ 390,742	\$ 156,463	\$ 2,565,028	\$ 2,617,973