

UNI-PRES KINDERCOTTAGE

564 Veronica Avenue
E. St. Louis, IL 62205

ANNUAL AUDIT

For the Year Ended December 31, 2012

UNI-PRES KINDERCOTTAGE

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June 26, 2013

To the Board of Directors
Uni-Pres Kindercottage
East St. Louis, Illinois

AUDIT REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

We have audited the accompanying financial statements of Uni-Pres Kindercottage (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

According to the Financial Accounting Standards Board, as prescribed in its SFAS No. 116, Accounting for Contributions Received and Contributions Made, contributions are to be recognized as support when they are received or unconditionally pledged. As described in Note 7, the Organization does not recognize pledges as support until the contributions are received.

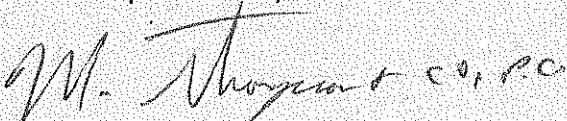
Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above, present fairly, in all material respects, the financial position of Uni-Pres Kindercottage as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements referred to in the first paragraph taken as a whole. The supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the above 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting 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 financial statements as a whole.

M. Thompson & Co., P.C.



UNI-PRES KINDERCOTTAGE

Statement of Financial Position

December 31, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets:		
Cash and Cash Equivalents - Operating	\$219,952	\$120,498
Investments - Equities & Mutual Funds	2,924	2,776
Accounts Receivable (Less Allowance for Doubtful Accounts)	27,225	31,842
Inventory	2,368	2,232
Prepaid Insurance	2,000	
Prepaid Expenses	5,216	1,201
Total Current Assets	<u>259,685</u>	<u>158,549</u>
Fixed Assets:		
Land	9,242	9,242
Building	632,093	629,693
Furniture & Equipment	127,355	126,373
	<u>768,690</u>	<u>765,308</u>
Less: Accumulated Depreciation	<u>(383,687)</u>	<u>(352,384)</u>
Net Fixed Assets	<u>385,003</u>	<u>412,924</u>
TOTAL ASSETS	<u><u>644,688</u></u>	<u><u>571,473</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	9,333	7,590
Accrued Payroll Taxes	4,235	3,450
Current Portion Long-Term Debt	23,706	16,992
Total Current Liabilities	<u>37,274</u>	<u>28,032</u>
Long-Term Debt:		
Mortgage Loan	269,154	285,249
Less: Current Portion	<u>(23,706)</u>	<u>(16,992)</u>
Total Long-Term Debt	<u>245,448</u>	<u>268,257</u>
TOTAL LIABILITIES	<u>282,722</u>	<u>296,289</u>
Net Assets		
Undesignated	133,758	136,830
Board Designated	49,825	
Net Investment in Property	115,849	127,675
Total Unrestricted	<u>299,432</u>	<u>264,505</u>
Temporarily Restricted	62,534	10,679
TOTAL NET ASSETS	<u>361,966</u>	<u>275,184</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$644,688</u></u>	<u><u>\$571,473</u></u>

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

UNI-PRES KINDERCOTTAGE

Statement of Activities

For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	\$242,895	\$72,590	\$315,485
Contributed Services & Assets	8,307		8,307
Total Support	251,202	72,590	323,792
Revenue:			
Grants and Contracts			
Pre-School & Day Care Program	278,086		278,086
Child Care Food Program	52,037		52,037
Grant Receipts		18,812	18,812
Parent Fees	9,006		9,006
Miscellaneous Receipts	185		185
Investment Revenue	205		205
Total Revenue	339,519	18,812	358,331
Net Assets Released from Restrictions:			
Satisfaction of Usage Restrictions	39,547	(39,547)	0
TOTAL SUPPORT AND REVENUE	630,268	51,855	682,123
EXPENSES:			
Pre-School & Day Care Program	465,769		465,769
Child Care Food Program	53,604		53,604
General and Administrative	75,968		75,968
TOTAL EXPENSES	595,341	0	595,341
CHANGE IN NET ASSETS	34,927	51,855	86,782
Net Assets - Beginning of Year	264,505	10,679	275,184
Net Assets - End of Year	\$299,432	\$62,534	\$361,966

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

UNI-PRES KINDERCOTTAGE

Statement of Activities

For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Support:			
Contributions	\$188,832	\$5,550	\$194,382
Contributed Services & Assets	9,045		9,045
Total Support	197,877	5,550	203,427
Revenue:			
Grants and Contracts			
Pre-School & Day Care Program	290,285		290,285
Child Care Food Program	45,279		45,279
Grant Receipts		23,121	23,121
Parent Fees	3,243		3,243
Miscellaneous Receipts	1,728		1,728
Investment Revenue	200		200
Total Revenue	340,735	23,121	363,856
Net Assets Released from Restrictions:			
Satisfaction of Usage Restrictions	51,542	(51,542)	0
TOTAL SUPPORT AND REVENUE	590,154	(22,871)	567,283
EXPENSES:			
Pre-School & Day Care Program	450,512		450,512
Child Care Food Program	40,702		40,702
General and Administrative	76,367		76,367
TOTAL EXPENSES	567,581	0	567,581
CHANGE IN NET ASSETS	22,573	(22,871)	(298)
Net Assets - Beginning of Year	241,932	33,550	275,482
Net Assets - End of Year	\$264,505	\$10,679	\$275,184

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

UNI-PRES KINDERCOTTAGE

Statement of Functional Expenses

For the Year Ended December 31, 2012

	Pre-School & Day Care Program	Child Care Food Program	General & Administrative	Total
Salaries	\$287,863	\$14,378	\$29,214	\$331,455
Fringe Benefits	46,074	1,798	5,337	53,209
Contractual Fees	31,635			31,635
Consumable Supplies	12,374	32,212		44,586
Program Occupancy	29,560	5,216		34,776
Other Program Expenses	15,293			15,293
Interest Expense			16,895	16,895
Office Expenses	10,187		24,522	34,709
Total Expenses before Depreciation	432,986	53,604	75,968	562,558
Depreciation Expense	32,783			32,783
TOTAL EXPENSES	\$465,769	\$53,604	\$75,968	\$595,341

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

UNI-PRES KINDERCOTTAGE

Statement of Functional Expenses
For the Year Ended December 31, 2011

	<u>Pre-School & Day Care Program</u>	<u>Child Care Food Program</u>	<u>General & Administrative</u>	<u>Total</u>
Salaries	\$277,540	\$10,503	\$26,444	\$314,487
Fringe Benefits	37,467	877	4,049	42,393
Contractual Fees	34,763			34,763
Consumable Supplies	9,086	24,663		33,749
Program Occupancy	26,403	4,659		31,062
Other Program Expenses	17,527			17,527
Interest Expense			22,885	22,885
Office Expenses	12,156		22,989	35,145
Total Expenses before Depreciation	414,942	40,702	76,367	532,011
Depreciation Expense	35,570			35,570
TOTAL EXPENSES	\$450,512	\$40,702	\$76,367	\$567,581

The accompanying notes are an integral part of these financial statements.
(7)

UNI-PRES KINDERCOTTAGE

Statement of Cash Flows

For the Year Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$86,782	(\$298)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	32,783	35,570
(Increase) Decrease in Accts Rec-Net of Allowance	4,617	(1,656)
Increase in Inventory	(136)	(2,232)
(Increase) Decrease in Prepaid Insurance	(2,000)	2,755
(Increase) Decrease in Prepaid Expenses	(4,015)	559
Increase (Decrease) in Accounts Payable	1,743	(1,758)
Increase (Decrease) in Accrued Payroll Taxes	785	(345)
Net Cash Provided by Operating Activities	<u>120,559</u>	<u>32,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Adjustment in Investments	(149)	65
Purchase of Equipment	<u>(4,861)</u>	<u>(13,731)</u>
Net Cash Used by Investing Activities	<u>(5,010)</u>	<u>(13,666)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments of Mortgage Payable	<u>(16,095)</u>	<u>(16,727)</u>
Net Cash Used by Financing Activities	<u>(16,095)</u>	<u>(16,727)</u>
Net Increase in Cash and Cash Equivalents	99,454	2,202
Cash and Cash Equivalents - Beginning of Year	<u>120,498</u>	<u>118,296</u>
Cash and Cash Equivalents - End of Year	<u><u>\$219,952</u></u>	<u><u>\$120,498</u></u>
Supplemental Disclosures:		
Interest Paid	<u><u>\$16,895</u></u>	<u><u>\$22,885</u></u>

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

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2012

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

Uni-Pres Kindercottage is a not-for-profit organization organized to provide day care for preschoolers in an economically deprived area. The organization provides day care services for children which are covered or not covered by government low income programs. The Organization's major sources of support and revenue are government grants and contracts and local church and individual contributions.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Uni-Pres Kindercottage and changes therein are classified and reported as follows:

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Uni-Pres Kindercottage and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions:

All contributions are considered available for unrestricted use unless specifically restricted by the donor.

Fixed Assets:

Fixed assets are recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The organization follows the practice of capitalizing all expenditures for equipment and leasehold improvements. Depreciation of various small equipment is provided using the straight-line method over an estimated life of two years. Two years is used because of the location of the child care facility. Other equipment is depreciated using the straight-line method over their estimated useful lives. The new building is being depreciated on a straight-line basis over thirty years.

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2012

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services & Assets:

Contributed Services & Assets represents the estimated fair value of special volunteer fees and mileage and food donations. The amounts contributed for each are as follows:

Contributed Services & Assets	
Volunteer Fees	\$3,750
Volunteer Mileage	1,250
Food Inventory & Program Supplies	3,307
	<u>\$8,307</u>

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, Uni-Pres Kindercottage considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Investments:

Investments consist of equities and mutual funds reported at market value.

Estimates:

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

Income Taxes:

Uni-Pres Kindercottage is a nonprofit organization as described in Section 501(3)(c) of the Internal Revenue Code and is exempt from federal and state income taxes.

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2012

NOTE 1 - SUMMARY OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Collection of Parent Fees:

The Organization will make an effort to collect the fees due from the parents, but believes it is more important to keep the children in the day care center than to pressure a parent over unpaid fees. As a result of this policy, no tight accounts receivable and possible bad debts are kept.

Allowance for Doubtful Accounts:

The Organization provides an allowance for doubtful accounts, as needed, for accounts deemed uncollectible.

Comparative Data:

Comparative data for the prior year has been presented in the accompanying financial statements to provide an understanding of changes in the Organization's financial position.

NOTE 2 - CASH AND CASH EQUIVALENTS - OPERATING

As of December 31, 2012, Cash and Cash Equivalents - Operating account consists of the following accounts:

General Operating Account Regions Bank	\$13,427
General Operating Account PNC Bank	29,205
Petty Cash Account Regions Bank	697
Petty Cash Account PNC Bank	70
Money Market Account Regions Bank	120,062
Special Savings Account Regions Bank	56,491
	<u>\$219,952</u>

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2012

NOTE 3 - FIXED ASSETS

Land, Buildings and Equipment and related accumulated depreciation amounts are as follows:

	Costs	Accumulated Depreciation	Net Book Value	
			2012	2011
Land	\$9,242	\$0	\$9,242	\$9,242
Building	632,093	(271,803)	360,290	379,375
Equipment & Improvements	127,355	(111,884)	15,471	24,307
	<u>\$768,690</u>	<u>(\$383,687)</u>	<u>\$385,003</u>	<u>\$412,924</u>

NOTE 4 - LONG-TERM DEBT

The Organization's long-term debt consists of the following:

Mortgage loan with Regions Bank was refinanced with PNC Bank on April 18, 2012 in the amount of \$284,631.44. The current terms of the loan is at a stated interest rate of 4.50% with scheduled monthly payments of principal and interest of \$2,958.90 each beginning May 18, 2012 with the final payment due on April 18, 2022. The Organization is currently working on a debt reduction campaign and the future maturities are calculated based on the regularly scheduled payments without any lump sum payments to the loan. The lender holds the Real Estate as collateral for the loan.

Future maturities due on the long-term debt are as follows:

For Year Ended December 31,	Amount
2013	\$23,706
2014	24,811
2015	25,967
2016	27,152
2017	28,442
thereafter	139,076
	<u>\$269,154</u>

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2012

NOTE 5 - BOARD DESIGNATED NET ASSETS

The Board of Directors have designated unrestricted net assets for the following specific purpose:

	Balance 12/31/11	Changes	Balance 12/31/12
Debt Reduction	\$0	\$49,825	\$49,825

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	Balance 12/31/11	Changes	Balance 12/31/12
Grant Programs	\$10,679	\$7,941	\$18,620
Playground Donations	0	10,311	10,311
Debt Reduction	0	33,603	33,603
Total Temporarily Restricted Net Assets	\$10,679	\$51,855	\$62,534

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Temporarily restricted net assets were released for the following specific purposes:

	2012	2011
Miscellaneous Grant Programs/Operating	\$21,494	\$38,592
Debt Reduction	17,753	
Fixed Asset Purchases	300	12,950
	\$39,547	\$51,542

NOTE 7 - PROMISES TO GIVE

At this time, Uni-Pres Kindercottage does not recognize pledges as a source of support as prescribed by the Financial Accounting Standards Board in its SFAS No. 116 entitled Accounting for Contributions Received and Contributions Made.

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2012

NOTE 8 - EMPLOYEE BENEFITS

In addition to the required social security participation, the Organization opened a 403(b) retirement plan for the employees beginning May 6, 2002. Currently the employees can elect to contribute deferred contributions into their plan. The Organization has made no contributions to the plan on behalf of the employees at this time.

The Board has implemented a personnel policy beginning in the fiscal year 2005. Employees accrue vacation leave based on their individual employment type and period. Vacation time is required to be used before the close of the fiscal year end. Sick time is also accrued to a maximum amount allowed based on the employment type and period of the employee. Since sick leave can only be used in the event of illnesses and is not paid out upon termination of employment, management elects not to accrue these amounts on the current financial reports.

NOTE 9 - LINE OF CREDIT

The Organization has entered into a line of credit agreement with PNC Bank on July 12, 2012 that provides for maximum borrowing of \$25,000. There were no outstanding borrowings on the line of credit at December 31, 2012. The line of credit is due on demand, or if no demand, on July 12, 2013 with monthly interest payments. The line of credit accrues interest on outstanding balances at a rate of 3.75% and is secured by money on deposit at the institution or the collateral secured by other obligations with the institution.

NOTE 10 - COPIER LEASE EXPENSE

The organization has a monthly lease for the use of a copier with Da-Com Corporation. Total lease payments for the copier was \$3,102 for the fiscal year ended December 31, 2012.

NOTE 11 - SUBSEQUENT EVENTS

The organization has evaluated that no subsequent events that require disclosures existed through June 26, 2013.

UNI-PRES KINDERCOTTAGE

SUPPLEMENTAL INFORMATION

For the Year Ended December 31, 2012

UNI-PRES KINDERCOTTAGE

Subsidiary Schedule of Functional Expenses For the Year Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
FRINGE BENEFITS		
Health Insurance	\$17,013	\$16,960
Unemployment Taxes	10,840	1,375
Social Security & Medicare Taxes	25,356	24,058
	<u>\$53,209</u>	<u>\$42,393</u>
CONTRACTUAL FEES		
Accounting	\$7,305	\$6,685
Field Trips	3,895	1,992
Trash	4,745	3,822
Pest Control	490	505
Alarm System	1,260	1,096
Fundraising Expenses	7,445	1,168
Grant Expenditures & Administration Costs	6,495	19,495
	<u>\$31,635</u>	<u>\$34,763</u>
CONSUMABLE SUPPLIES		
Program	\$10,632	\$7,927
Food	30,857	23,187
Kitchen	1,355	1,476
Medical	1,742	1,159
	<u>\$44,586</u>	<u>\$33,749</u>
PROGRAM OCCUPANCY		
Electric	\$9,510	\$10,041
Gas - Heating	825	1,317
Gas - Kitchen	1,837	1,284
Water & Sewer	4,300	6,008
Repairs & Maintenance	18,304	12,412
	<u>\$34,776</u>	<u>\$31,062</u>

See Accountant's Audit Report.

UNI-PRES KINDERCOTTAGE

Subsidiary Schedule of Functional Expenses - Continued

For the Year Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
OTHER PROGRAM EXPENSES		
Liability Insurance	\$6,369	\$10,583
Staff Training	1,906	1,794
Telephone	3,098	4,603
Christmas	70	60
Licenses & Fees	3,850	487
	<u>\$15,293</u>	<u>\$17,527</u>
OFFICE EXPENSES		
Office Supplies	\$9,635	\$9,756
Volunteer Services	3,750	3,750
Administration Travel	3,698	3,057
Dues & Subscriptions	1,960	1,679
Postage & Printing	3,048	2,434
Advertising	10,187	12,156
Bank Charges	1,537	1,023
Interest Expense	16,895	22,885
Miscellaneous	894	1,290
	<u>\$51,604</u>	<u>\$58,030</u>

See Accountant's Audit Report.