

UNI-PRES KINDERCOTTAGE

564 Veronica Avenue
E. St. Louis, IL 62205

ANNUAL AUDIT

For the Years Ended December 31, 2013 and 2012

UNI-PRES KINDERCOTTAGE

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December 31, 2013 and 2012

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September 22, 2014

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 statements of financial positions as of December 31, 2013, and 2012, and the related statements of activities, functional expenses, and cash flows for the years then 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 controls 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.

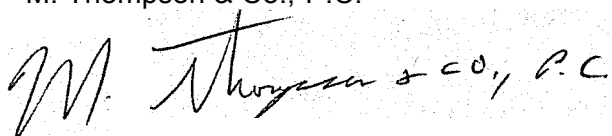
Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Uni-Pres Kindercottage as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years 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.

A handwritten signature in black ink that reads "M. Thompson & Co., P.C." The signature is written in a cursive, flowing style.

UNI-PRES KINDERCOTTAGE

Statement of Financial Position

December 31, 2013 and 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and Cash Equivalents - Operating	\$174,591	\$219,952
Investments - Equities & Mutual Funds	3,742	2,924
Accounts Receivable (Less Allowance for Doubtful Accounts)	21,140	27,225
Inventory	905	2,368
Prepaid Insurance	5,296	2,000
Prepaid Expenses	3,861	5,216
Total Current Assets	<u>209,535</u>	<u>259,685</u>
Fixed Assets:		
Land	9,242	9,242
Building	632,093	632,093
Furniture & Equipment	<u>136,988</u>	<u>127,355</u>
	778,323	768,690
Less: Accumulated Depreciation	<u>(409,530)</u>	<u>(383,687)</u>
Net Fixed Assets	<u>368,793</u>	<u>385,003</u>
TOTAL ASSETS	<u>5781328</u>	<u>6441688</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts Payable	16,278	9,333
Accrued Payroll Taxes	2,365	4,235
Current Portion Long-Term Debt	<u>24,811</u>	<u>23,706</u>
Total Current Liabilities	<u>43,454</u>	<u>37,274</u>
Long-Term Debt:		
Mortgage Loan	245,434	269,154
Less: Current Portion	<u>(24,811)</u>	<u>(23,706)</u>
Total Long-Term Debt	<u>220,623</u>	<u>245,448</u>
TOTAL LIABILITIES	<u>264,077</u>	<u>282,722</u>
Net Assets		
Undesignated	123,527	133,758
Board Designated	4,825	49,825
Net Investment in Property	<u>123,359</u>	<u>115,849</u>
Total Unrestricted.	251,711	299,432
Temporarily Restricted	<u>62,540</u>	<u>62,534</u>
TOTAL NET ASSETS	<u>314,251</u>	<u>361,966</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$5781328</u>	<u>\$6441688</u>

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

UNI-PRES KINDERCOTTAGE

Statement of Activities

For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Support:			
Contributions	\$163,885	\$34,963	\$198,848
Contributed Services & Assets	<u>5,870</u>		<u>5,870</u>
Total Support	<u>169,755</u>	<u>34,963</u>	<u>204,718</u>
Revenue:			
Grants and Contracts			
Pre-School & Day Care Program	242,408		242,408
Child Care Food Program	49,347		49,347
Grant Receipts		39,231	39,231
Parent Fees	9,201		9,201
Miscellaneous Receipts	722		722
Investment Revenue	<u>346</u>		<u>346</u>
Total Revenue	<u>302,024</u>	<u>39,231</u>	<u>341,255</u>
Net Assets Released from Restrictions:			
Satisfaction of Usage Restrictions	<u>74,188</u>	<u>(74,188)</u>	<u>0</u>
TOTAL SUPPORT AND REVENUE	<u>545,967</u>	<u>6</u>	<u>545,973</u>
EXPENSES:			
Pre-School & Day Care Program	475,585		475,585
Child Care Food Program	43,660		43,660
General and Administrative	<u>74,443</u>		<u>74,443</u>
TOTAL EXPENSES	<u>593,688</u>	<u>0</u>	<u>593,688</u>
CHANGE IN NETASSETS	(47,721)	6	(47,715)
Net Assets - Beginning of Year	<u>299,432</u>	<u>62,534</u>	<u>361,966</u>
Net Assets - End of Year	<u>\$251,711</u>	<u>\$62,540</u>	<u>\$314,251</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

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

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

UNI-PRES KINDERCOTTAGE

Statement of Functional Expenses

For the Year Ended December 31, 2013

	Pre-School & Day Care Program	Child Care Food Program	<u>General & Administrative</u>	<u>Total</u>
Salaries	\$295,074	\$9,556	\$29,905	\$334,535
Fringe Benefits	53,118	1,572	7,408	62,098
Contractual Fees	43,196			43,196
Consumable Supplies	5,473	28,232		33,705
Program Occupancy	24,367	4,300		28,667
Other Program Expenses	17,786			17,786
Interest Expense			12,796	12,796
Office Expenses	<u>4,258</u>	<u> </u>	<u>24,334</u>	<u>28,592</u>
 Total Expenses before Depreciation	 443,272	 43,660	 74,443	 561,375
 Depreciation Expense	 <u>32,313</u>	 <u> </u>	 <u> </u>	 <u>32,313</u>
 TOTAL EXPENSES	 <u>\$475,585</u>	 <u>\$43,660</u>	 <u>\$74,443</u>	 <u>\$593,688</u>

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 <u>Food Program</u>	General & <u>Administrative</u>	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	<u>10,187</u>	<u> </u>	24,522	34,709
Total Expenses before Depreciation	432,986	53,604	75,968	562,558
Depreciation Expense	<u>32,783</u>			32,783
TOTAL EXPENSES	<u>\$465,769</u>	<u>\$53,604</u>	<u>\$75,968</u>	<u>\$595,341</u>

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

UNI-PRES KINDERCOTTAGE

Statement of Cash Flows

For the Year Ended December 31, 2013 and 2012

	<u>2013</u>	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	(\$47,715)	\$86,782
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	32,313	32,783
Decrease in Accounts Receivable-Net of Allowance	6,085	4,617
(Increase) Decrease in Inventory	1,463	(136)
Increase in Prepaid Insurance	(3,296)	(2,000)
(Increase) Decrease in Prepaid Expenses	1,355	(4,015)
Increase in Accounts Payable	6,945	1,743
Increase (Decrease) in Accrued Payroll Taxes	<u>(1,870)</u>	<u>785</u>
Net Cash Provided by (Used by) Operating Activities	<u>(4,720)</u>	<u>120,559</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Adjustment in Investments	(818)	(149)
Purchase of Equipment	<u>(16,103)</u>	<u>(4,861)</u>
Net Cash Used by Investing Activities	<u>(16,921)</u>	<u>(5,010)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal Payments of Mortgage Payable	(23,720)	(16,095)
Net Cash Used by Financing Activities	<u>(23,720)</u>	<u>(16,095)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(45,361)	99,454
Cash and Cash Equivalents - Beginning of Year	<u>219,952</u>	<u>120,498</u>
Cash and Cash Equivalents - End of Year	<u>\$174,591</u>	<u>\$219,952</u>
 Supplemental Disclosures:		
Interest Paid	<u>\$12,96</u>	<u>\$16,895</u>

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

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2013 and 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, 2013 and 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:

	<u>2013</u>	<u>2012</u>
Contributed Services & Assets		
Volunteer Fees	\$3,750	\$3,750
Volunteer Mileage	1,250	1,250
Food Inventory & Program Supplies	<u>870</u>	<u>3,307</u>
	<u>\$5,870</u>	<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, 2013 and 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.

NOTE 2 - CASH AND CASH EQUIVALENTS - OPERATING

Cash and Cash Equivalents consists of the following accounts:

	<u>2013</u>	<u>2012</u>
General Operating Account Regions Bank	\$26,338	\$13,427
General Operating Account PNC Bank	12,906	29,205
Petty Cash Account Regions Bank	531	697
Petty Cash Account PNC Bank	421	70
Money Market Account PNC Bank	100,308	120,062
Special Savings Account PNC Bank	<u>34,087</u>	<u>56,491</u>
	<u>\$174,591</u>	<u>\$219,952</u>

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2013 and 2012

NOTE 3 - FIXED ASSETS

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

	<u>Costs</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	
			2013	2012
Land	\$9,242	\$0	\$9,242	\$9,242
Building	632,093	(293,448)	338,645	360,290
Equipment & Improvements	<u>136,988</u>	<u>(116,082)</u>	<u>20,906</u>	<u>15,471</u>
	<u>\$778,132</u>	<u>(\$409,153)</u>	<u>\$368,793</u>	<u>\$385,103</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:

<u>For Year Ended December 31,</u>	<u>Amount</u>
2014	\$24,811
2015	25,967
2016	27,152
2017	28,441
2018	29,767
thereafter	109,296
	<u>\$245,334</u>

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2013 and 2012

NOTE 5 - BOARD DESIGNATED NET ASSETS

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

	Balance 12/31/12	Changes	Balance 12/31/13
Debt Reduction	\$49,825	(\$45,000)	\$4,825
	Balance 12/31/11	Changes	Balance 12/31/12
Debt Reduction	\$0	\$49,825	\$49,825

The Board of Directors released \$45,000 from board designated unrestricted net assets to assist with operating expenses.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	Balance 12/31/12	Changes	Balance 12/31/13
Grant Programs	\$18,620	(\$6,058)	\$12,562
Playground Donations	10,311	(2,771)	7,540
Equipment & Building Upgrades		8,000	8,000
Debt Reduction & Capital Campaign	33,603	835	34,438
Total Temporarily Restricted Net Assets	\$62,534	\$6	\$62,540
	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 & Capital Campaign	0	33,603	33,603
Total Temporarily Restricted Net Assets	\$10,679	\$51,855	\$62,534

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2013 and 2012

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS - (CONTINUED)

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:

	<u>2013</u>	<u>2012</u>
Miscellaneous Grant Programs/Operating	\$27,343	\$21,494
Debt Reduction	31,927	17,753
Fixed Asset Purchases	<u>14,918</u>	<u>300</u>
	\$74,188	<u>\$39,547</u>

NOTE 7 - 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 8 - 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, 2013 or 2012. The line of credit is due on demand, or if no demand on July 12, 2014 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.

UNI-PRES KINDERCOTTAGE

Notes to the Financial Statements

December 31, 2013 and 2012

NOTE 9 - 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 \$3,384 and \$3,102 for the fiscal years ended December 31, 2013 and 2012, respectively.

NOTE 10 - SUBSEQUENT EVENTS

The organization has evaluated that no subsequent events that require disclosures existed through September 22, 2014.

UNI-PRES KINDERCOTTAGE

SUPPLEMENTAL INFORMATION

For the Years Ended December 31, 2013 and 2012

UNI-PRES KINDERCOTTAGE

Subsidiary Schedule of Functional Expenses

For the Year Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
FRINGE BENEFITS		
Health Insurance & Other Fringe Benefits	\$20,221	\$17,013
Unemployment Taxes	16,579	10,840
Social Security & Medicare Taxes	25,298	25,356
	<u>\$62,098</u>	<u>\$53,209</u>
CONTRACTUAL FEES		
Accounting	\$6,985	\$7,305
Field Trips	3,752	3,895
Trash	5,157	4,745
Pest Control	280	490
Alarm System	1,626	1,260
Fundraising Expenses	7,742	7,445
Grant Expenditures & Administration Costs	17,654	6,495
	<u>\$43,196</u>	<u>\$31,635</u>
CONSUMABLE SUPPLIES		
Program	\$4,175	\$10,632
Food	27,455	30,857
Kitchen	777	1,355
Medical	1,298	1,742
	<u>\$33,705</u>	<u>\$44,586</u>
PROGRAM OCCUPANCY		
Electric	\$7,112	\$9,510
Gas - Heating	1,373	825
Gas - Kitchen	1,587	1,837
Water & Sewer	4,009	4,300
Repairs & Maintenance	14,586	18,304
	<u>\$28,667</u>	<u>\$34,776</u>

See Accountant's Audit Report.

UNI-PRES KINDERCOTTAGE

Subsidiary Schedule of Functional Expenses - Continued

For the Year Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OTHER PROGRAM EXPENSES		
Insurance	\$12,252	\$6,369
Staff Training	1,609	1,906
Conferences & Conventions	305	
Telephone	2,756	3,098
Christmas	60	70
Licenses & Fees	804	3,850
	<u>\$17,786</u>	<u>\$15,1293</u>
 OFFICE EXPENSES		
Office Supplies	\$10,745	\$9,635
Volunteer Services	3,750	3,750
Administration Travel	3,393	3,698
Dues & Subscriptions	1,869	1,960
Postage & Printing	2,329	3,048
Advertising	4,258	10,187
Bank Charges	1,973	1,537
Interest Expense	12,796	16,895
Miscellaneous	275	894
	<u>\$41,388</u>	<u>\$51,1604</u>

See Accountant's Audit Report.