

FINANCIAL REPORT

A STEP AHEAD IN PIERCE COUNTY

JUNE 30, 2009

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# McDaniel & Hallstrom

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Certified Public Accountants

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September 21, 2009

Board of Directors  
A Step Ahead in Pierce County  
Tacoma, Washington

## INDEPENDENT AUDITORS' REPORT

We have audited the statement of financial position of A STEP AHEAD IN PIERCE COUNTY (a Washington not for profit corporation) as of June 30, 2009 and the related statements of activities and changes in net assets, of functional expenses and of cash flows for the year then ended. These financial statements are the responsibility of the agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the agency's June 30, 2008 financial statements and, in our report dated September 25, 2008, we expressed an unqualified opinion on those financial statements.

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 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 our audit provides 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 A STEP AHEAD IN PIERCE COUNTY as of June 30, 2009 and the results of its activities and the changes in net assets and of cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*McDaniel & Hallstrom*

## A STEP AHEAD IN PIERCE COUNTY

## STATEMENT OF FINANCIAL POSITION

JUNE 30, 2009

(With comparative totals for June 30, 2008)

	<u>2009</u>	<u>2008</u>
<u>Assets</u>		
<u>Current Assets</u>		
Cash and cash equivalents	\$ 90,649	\$ 95,166
Certificates of deposit	144,919	124,725
Receivables (no accounts estimated uncollectible in 2009 or 2008)	78,918	70,034
Prepaid expenses and deposits	<u>10,045</u>	<u>13,713</u>
Total current assets	<u>324,531</u>	<u>303,638</u>
<u>Fixed Assets</u>		
Improvements	17,687	3,702
Equipment and furniture	95,739	81,283
Accumulated depreciation	<u>( 13,587)</u>	<u>( 10,085)</u>
Total fixed assets	<u>99,839</u>	<u>74,900</u>
Total assets	<u>\$ 424,370</u>	<u>\$ 378,538</u>
<u>Liabilities and Net Assets</u>		
<u>Current Liabilities</u>		
Accounts payable and accrued expenses	\$ 1,720	\$ 2,062
Accrued leave	<u>10,350</u>	<u>7,255</u>
Total current liabilities	<u>12,070</u>	<u>9,317</u>
<u>Net Assets</u>		
Temporarily restricted: Pierce County	71,475	68,598
Other	<u>10,646</u>	<u>18,846</u>
Total temporarily restricted net assets	<u>82,121</u>	<u>87,444</u>
Unrestricted:		
Undesignated	301,815	275,475
Investment in fixed assets	<u>28,364</u>	<u>6,302</u>
Total unrestricted net assets	<u>330,179</u>	<u>281,777</u>
Total net assets	<u>412,300</u>	<u>369,221</u>
Total liabilities and net assets	<u>\$ 424,370</u>	<u>\$ 378,538</u>

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

A STEP AHEAD IN PIERCE COUNTYSTATEMENT OF ACTIVITIESYEAR ENDED JUNE 30, 2009

(With comparative totals for the year ended June 30, 2008)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2009</u>	<u>2008</u>
<u>Support</u>				
Donations	\$ 618	\$ 1,450	\$ 2,068	\$ 7,293
Inkind donations	125	- -	125	545
Foundations	- -	31,000	31,000	45,000
Fund-raising	18,626	- -	18,626	1,234
Government grants and contracts	762,918	- -	762,918	661,528
<u>Revenue</u>				
Training reimbursement	1,230	- -	1,230	1,120
Fee for service	5,546	- -	5,546	3,720
Interest income	5,299	- -	5,299	5,475
Rental income	- -	- -	- -	1,300
Gain/(loss) on asset disposal	( 4,384)	- -	( 4,384)	422
Release from program restrictions	<u>40,650</u>	<u>(40,650)</u>	<u>- -</u>	<u>- -</u>
Total support and revenue	<u>830,628</u>	<u>( 8,200)</u>	<u>822,428</u>	<u>727,637</u>
<u>Expenses</u>				
Program services:				
Childrens' Services	<u>654,022</u>	<u>- -</u>	<u>654,022</u>	<u>577,608</u>
Support services:				
Administration	114,305	- -	114,305	108,025
Fund-raising	<u>13,899</u>	<u>- -</u>	<u>13,899</u>	<u>3,491</u>
Total support services	<u>128,204</u>	<u>- -</u>	<u>128,204</u>	<u>111,516</u>
Total expenses	<u>782,226</u>	<u>- -</u>	<u>782,226</u>	<u>689,124</u>
Change in net assets	48,402	( 8,200)	40,202	38,513
<u>Net Assets, Beginning</u>	281,777	87,444	369,221	326,952
Other changes in net assets:				
Equipment purchased with grant funds-capitalized for control purposes	<u>- -</u>	<u>2,877</u>	<u>2,877</u>	<u>163</u>
Net assets, ending	<u>\$330,179</u>	<u>\$ 82,121</u>	<u>\$412,300</u>	<u>\$369,221</u>

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

## A STEP AHEAD IN PIERCE COUNTY

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2009

(With comparative totals for the year ended June 30, 2008)

	<u>Program</u>	<u>Support Services</u>			<u>Total Expenses</u>	
	<u>Childrens Services</u>	<u>Admini- stration</u>	<u>Fund Raising</u>	<u>Total Support</u>	<u>2009</u>	<u>2008</u>
Salaries and wages	\$423,142	\$ 76,804	\$ 3,302	\$ 80,106	\$503,248	\$443,686
Employee benefits	67,100	10,944	405	11,349	78,449	67,207
Payroll taxes	<u>31,928</u>	<u>5,804</u>	<u>2,003</u>	<u>7,807</u>	<u>39,735</u>	<u>39,773</u>
Total personnel	522,170	93,552	5,710	99,262	621,432	550,666
Professional fees and contract services	7,045	875	- -	875	7,920	12,235
Supplies	15,453	2,181	25	2,206	17,659	12,927
Telephone	11,349	1,092	- -	1,092	12,441	9,639
Postage	895	321	152	473	1,368	1,261
Occupancy	31,514	11,060	- -	11,060	42,574	32,829
Equipment repair/ maintenance & purchase	7,594	246	- -	246	7,840	3,846
Local travel	37,946	357	- -	357	38,303	37,256
Conferences/training	4,692	156	- -	156	4,848	4,408
Dues/publications	1,476	99	179	278	1,754	489
Insurance	4,321	1,494	- -	1,494	5,815	6,462
Depreciation	2,842	1,535	- -	1,535	4,377	4,048
Other	<u>6,725</u>	<u>1,337</u>	<u>7,833</u>	<u>9,170</u>	<u>15,895</u>	<u>13,058</u>
Total functional expenses	<u>\$654,022</u>	<u>\$114,305</u>	<u>\$ 13,899</u>	<u>\$128,204</u>	<u>\$782,226</u>	<u>\$689,124</u>

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

A STEP AHEAD IN PIERCE COUNTY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2009

(With comparative totals for the year ended June 30, 2008)

	<u>2009</u>	<u>2008</u>
Cash flows provided by (used for)		
operating activities:		
Cash received from clients, contractors and donors	\$ 815,125	\$ 729,363
Cash paid to employees and suppliers	<u>( 771,403)</u>	<u>( 726,856)</u>
Net cash from operating activities	<u>43,722</u>	<u>2,507</u>
Cash flows provided by (used by)		
investing activities:		
Equipment purchases	( 33,443)	( 163)
Assets disposed-basis	( 4,745)	( 4,182)
Investment in certificate of deposit	( 15,350)	( 17,697)
Interest received	<u>5,299</u>	<u>5,475</u>
Net cash from (used in) investing activities	<u>( 48,239)</u>	<u>( 16,567)</u>
Net increase (decrease) in cash	( 4,517)	( 14,060)
Cash and cash equivalents, beginning	<u>95,166</u>	<u>109,226</u>
Cash and cash equivalents, ending	<u>\$ 90,649</u>	<u>\$ 95,166</u>
Reconciliation of change in net assets to net cash provided by operations:		
Changes in net assets	\$ 40,202	\$ 38,513
Less non operating revenue:		
Interest	( 5,299)	( 5,475)
Sale of assets	7,005	( 422)
Inkind revenue	( 125)	( 545)
Add non cash expenses:		
Depreciation	4,377	4,048
Inkind expense	25	415
Net changes in operating assets and liabilities:		
Prepaid expenses (increase)/decrease	3,668	( 9,180)
Receivables (increase)/decrease	( 8,884)	8,166
Accounts payable and accrued expenses increase/(decrease)	<u>2,753</u>	<u>( 33,013)</u>
Net cash from operations	<u>\$ 43,722</u>	<u>\$ 2,507</u>

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

A STEP AHEAD IN PIERCE COUNTYNOTES TO FINANCIAL STATEMENTSJUNE 30, 2009Note 1 - Significant Accounting Policies

## Agency Mission and Purpose:

A Step Ahead in Pierce County (ASAP) is a non-profit, tax exempt 501 (c) (3) organization which provides early intervention services throughout Pierce County. Its mission is to support families of infants and toddlers with special needs by enhancing their development and relationships both at home and in their community. ASAP accomplishes this by providing family-centered, community-based developmental services to children birth to three years old who exhibit a 25% delay in at least one area of development. Visits to homes and child cares are provided by qualified staff such as teachers, speech pathologists and physical therapists. Care providers are given a variety of strategies to promote developmental milestones such as crawling, talking and independent feeding. Community resources are shared as needs arise. Field trips are offered to introduce families to the variety of environments and activities in the greater Tacoma area that are conducive to their child's development. Play groups are arranged to provide parent support and peer interaction. In addition to serving children with developmental delays, ASAP has also secured funding to provide similar services to Pierce County Foster children of the same age. Due to the emotional trauma many of these children have experienced, intervention is also focused on supporting the child's mental health. Between both programs, ASAP's average monthly enrollment is 235 children, making it the largest Pierce County early intervention provider.

ASAP presently employs 12 community-based teachers, 2 speech language pathologists, an administrative specialist and the executive director. The agency contracts directly with an infant mental health therapist, a vision teacher and a deaf education teacher. The agency has established strong partnerships and collaborations with area social services coalitions and medical providers.

Pierce County provides approximately 90% of the agency's funding. Loss of this funding would seriously impair agency operations.

## Basis of Presentation:

The books of A STEP AHEAD IN PIERCE COUNTY are maintained on the accrual basis.

## Unrestricted Net Assets:

Unrestricted net assets are those resources over which the Board of Directors has discretionary control without restriction to use in carrying on the operations of the agency. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

## Temporarily Restricted Net Assets:

Temporarily restricted net assets are those resources which are restricted by the donor for specified purposes and/or time periods, and for which funds have not been expended or time periods expired. Fixed assets purchased with grant funds over which the funding source retains a reversionary interest are also included in this category.

## Fixed Assets:

Fixed assets consist of the improvements, furniture and equipment of the agency stated at cost and the estimated fair market value of donated equipment at the date of receipt.

Improvements, equipment and furniture purchased or donated with a cost or value greater than \$500 are capitalized and depreciated on the straight line method over estimated useful lives of 5-7 years on equipment and furniture. Equipment purchased with grant funds for which the funding source retains a reversionary interest is shown as a temporarily restricted net asset. Depreciation expense for 2009 was \$4,377; \$4,048 in 2008.

A STEP AHEAD IN PIERCE COUNTYNOTES TO FINANCIAL STATEMENTSJUNE 30, 2009Note 1- Significant Accounting Policies (Concluded)

## Federal Income Taxes:

A STEP AHEAD IN PIERCE COUNTY is exempt from Federal income tax under Code Section 501 ( c ) 3 and is not a private foundation.

## Use of Estimates:

Management has elected to use certain estimates in the preparation of these financial statements. Actual results could differ from those estimates.

## Cash and Cash Equivalents:

At June 30, 2009, ASAP had \$235,568 in a financial institution. Amounts over \$250,000 are not insured by the FDIC. The agency has experienced no losses on these accounts.

Cash and cash equivalents consists of cash in checking and savings.

## Administration:

Costs are attributed to administration based on either their exclusive benefit to that activity or, for joint costs, on management's studies and estimates on the benefit of the cost to the administrative function.

Note 2 - Retirement Plan

In October 2006, A Step Ahead in Pierce County established a Simple IRA plan that allows eligible employees to defer up to \$10,000 (or as adjusted by the IRS) of their salary annually into an IRA mutual fund account. Additionally, ASAP contributes matching funds of up to 3% of salary for each employee who contributes to the plan. Pension expense for the year ended June 30, 2009 was \$13,245 (\$11,414 in 2008).

Note 3 - Operating Lease

ASAP has entered into a five year operating lease for rental of office and program space. Commencing in July of 2009, the lease runs through June 2013. Payments under the lease are \$3000 per month for the first year, with any increases capped at 3% per year after the initial 12 months. Minimum payments under this lease are:

June 30,	2010	36,000
	2011	36,000
	2012	36,000
	2013	<u>36,000</u>
		<u>\$144,000</u>

Total rental expense for the year ended June 30, 2009 was \$33,925 (\$23,690 in the year ended June 30, 2008).

Note 4 - Comparative Statements

The financial statements include certain prior-year summarized comparative information in total but not by functional or net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2008 from which the summarized information was derived.