
EDGEWOOD CHILDREN'S CENTER

FINANCIAL STATEMENTS

DECEMBER 31, 2007



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RubinBrown LLP
Certified Public Accountants
& Business Consultants

One North Brentwood
Saint Louis, MO 63105

T 314.290.3300
F 314.290.3400

W rubinbrown.com
E info@rubinbrown.com

Independent Auditors' Report

Board of Directors
Edgewood Children's Center
St. Louis, Missouri

We have audited the accompanying statement of financial position of Edgewood Children's Center (the Center) as of December 31, 2007 and 2006, and the related statements of activities, functional expenses 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 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 Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 Edgewood Children's Center as of December 31, 2007 and 2006, 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.

As discussed in Note 10 to the Financial Statements, the Center changed its method of accounting for its pension plan for the year beginning January 1, 2007, as required by the provisions of Statement on Financial Accounting Standards No. 158.

RubinBrown LLP

May 2, 2008

EDGEWOOD CHILDREN'S CENTER

STATEMENT OF FINANCIAL POSITION

	December 31,	
	2007	2006 (As Restated - Note 10)
Assets		
Cash and cash equivalents	\$ 326,476	\$ 381,455
Cash designated for Board endowment	161,993	299,287
Accounts receivable from government agencies (less allowance for uncollectible accounts of \$20,000 in 2007 and 2006 - Note 7)	1,131,138	1,014,990
Pledges receivable (Note 3)	1,190,847	903,227
Prepaid expenses	129,768	207,709
Investments (Note 4)	2,407,467	3,227,694
Other assets	16,275	21,631
Property and equipment (Notes 5 and 7)	5,572,399	5,906,458
Assets restricted for endowment (Note 4)	110,151	110,151
Beneficial interest in perpetual trusts (Note 6)	644,095	657,072
Total Assets	\$ 11,690,609	\$ 12,729,674
Liabilities		
Line of credit advances (Note 7)	\$ 542,551	\$ 728,864
Note payable (Note 7)	—	400,000
Accounts payable and accrued expenses	126,560	226,770
Accrued vacation and retirement pay (Note 11)	552,380	360,593
Total Liabilities	1,221,491	1,716,227
Net Assets		
Unrestricted:		
Board-designated endowment fund	2,569,460	3,526,981
Investment in property and equipment	5,572,399	5,906,458
Undesignated	38,545	(292,908)
	8,180,404	9,140,531
Temporarily restricted (Note 8)	1,534,468	1,105,693
Permanently restricted (Note 8)	754,246	767,223
Total Net Assets	10,469,118	11,013,447
Total Liabilities And Net Assets	\$ 11,690,609	\$ 12,729,674

EDGEWOOD CHILDREN'S CENTER

STATEMENT OF ACTIVITIES

For The Years Ended December 31,

	2007				2006 (As Restated - Note 10)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
	Public Support And Revenues							
General contributions	\$ 805,435	\$ 611,900	\$ —	\$ 1,417,335	\$ 919,007	\$ 177,157	\$ —	\$ 1,096,164
United Way	3,073	758,150	—	761,223	4,297	710,078	—	714,375
Government agency fees	7,053,487	—	—	7,053,487	6,968,698	—	—	6,968,698
Other program revenue	12,722	—	—	12,722	9,760	—	—	9,760
Investment return designated for current operations (Note 4)	191,049	—	—	191,049	232,821	—	—	232,821
Special events (net of expenses of \$69,117 in 2007 and \$78,982 in 2006 - Note 9)	218,180	—	—	218,180	198,126	—	—	198,126
Change in value of beneficial interest in perpetual trusts (Note 6)	—	—	(12,977)	(12,977)	—	—	27,514	27,514
Other	28,061	—	—	28,061	11,626	—	—	11,626
Net assets released (Note 8):								
Time restrictions	899,691	(899,691)	—	—	777,249	(777,249)	—	—
Program restrictions	41,584	(41,584)	—	—	8,547	(8,547)	—	—
Total Public Support And Revenues	9,253,282	428,775	(12,977)	9,669,080	9,130,131	101,439	27,514	9,259,084
Operating Expenses								
Program services	8,966,744	—	—	8,966,744	8,963,085	—	—	8,963,085
Supporting activities	1,032,599	—	—	1,032,599	768,127	—	—	768,127
Total Operating Expenses	9,999,343	—	—	9,999,343	9,731,212	—	—	9,731,212
Increase (Decrease) In Net Assets From Operations	(746,061)	428,775	(12,977)	(330,263)	(601,081)	101,439	27,514	(472,128)
Other Changes								
Investment return greater than (less than) amounts designated for current operations (Note 4)	—	—	—	—	158,112	—	—	158,112
Pension Plan Changes Other Than Net Periodic Benefit Costs (Note 10)	(214,066)	—	—	(214,066)	262,118	—	—	262,118
Increase (Decrease) In Net Assets	(960,127)	428,775	(12,977)	(544,329)	(180,851)	101,439	27,514	(51,898)
Net Assets - Beginning Of Year	9,140,531	1,105,693	767,223	11,013,447	9,321,382	1,004,254	739,709	11,065,345
Net Assets - End Of Year	\$ 8,180,404	\$ 1,534,468	\$ 754,246	\$ 10,469,118	\$ 9,140,531	\$ 1,105,693	\$ 767,223	\$ 11,013,447

EDGEWOOD CHILDREN'S CENTER

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2007

	Program Services					Supporting Activities			
	Residential Programs	Day/ Education Programs	Prevention Programs	Case Management	Total	Management And General	Development	Total	Total
Salaries	\$ 1,575,736	\$ 2,209,183	\$ 1,099,126	\$ 604,234	\$ 5,488,279	\$ 287,279	\$ 286,003	\$ 573,282	\$ 6,061,561
Employee benefits	279,034	405,995	163,142	100,454	948,625	43,466	23,642	67,108	1,015,733
Payroll taxes	122,588	171,528	85,368	46,805	426,289	22,007	21,875	43,882	470,171
Total Employee Costs	1,977,358	2,786,706	1,347,636	751,493	6,863,193	352,752	331,520	684,272	7,547,465
Professional fees	62,307	62,669	28,842	27,573	181,391	18,163	3,444	21,607	202,998
Supplies	14,268	69,369	10,402	8,072	102,111	28,223	10,556	38,779	140,890
Telephone	20,376	29,463	28,105	16,118	94,062	14,453	4,289	18,742	112,804
Postage and shipping	117	2,379	1,733	1,451	5,680	2,244	8,282	10,526	16,206
Occupancy	156,125	187,214	28,806	25,149	397,294	66,590	15,476	82,066	479,360
Rent and maintenance equipment	17,124	31,953	6,984	4,641	60,702	4,512	4,961	9,473	70,175
Printing and publications	417	397	407	13	1,234	924	35,446	36,370	37,604
Travel	27,501	23,161	7,385	4,438	62,485	9,907	1,934	11,841	74,326
Conferences and meetings	1,688	1,183	479	680	4,030	16,577	2,906	19,483	23,513
Assistance to individuals	111,821	369,226	725	4,159	485,931	—	—	—	485,931
Membership dues	8,209	10,334	4,266	2,477	25,286	1,564	415	1,979	27,265
Interest expense	25,108	11,871	6,694	4,322	47,995	—	—	—	47,995
Local transportation	758	1,065	99,998	61,448	163,269	282	123	405	163,674
Miscellaneous	13,143	17,624	9,366	4,542	44,675	3,244	11,163	14,407	59,082
Insurance	36,280	46,074	23,601	11,034	116,989	9,096	3,623	12,719	129,708
Dues to national organizations	1,786	2,242	962	559	5,549	353	—	353	5,902
Endowment trustee fees	3,624	4,528	2,297	1,050	11,499	2,325	—	2,325	13,824
Bad debts	9,026	—	1,688	—	10,714	—	—	—	10,714
Total Expenses Before Depreciation	2,487,036	3,657,458	1,610,376	929,219	8,684,089	531,209	434,138	965,347	9,649,436
Depreciation	93,261	143,517	27,033	18,844	282,655	54,372	12,880	67,252	349,907
Total Expenses	\$ 2,580,297	\$ 3,800,975	\$ 1,637,409	\$ 948,063	\$ 8,966,744	\$ 585,581	\$ 447,018	\$ 1,032,599	\$ 9,999,343

EDGEWOOD CHILDREN'S CENTER

STATEMENT OF FUNCTIONAL EXPENSES For The Year Ended December 31, 2006

	Program Services					Supporting Activities			
	Residential Programs	Education Programs	Prevention Programs	Case Management	Total	Management And General	Development	Total	Total
		Day/							
Salaries	\$ 1,467,084	\$ 2,233,821	\$ 1,154,494	\$ 571,610	\$ 5,427,009	\$ 246,712	\$ 153,469	\$ 400,181	\$ 5,827,190
Employee benefits	235,409	358,440	185,251	91,721	870,821	39,587	24,626	64,213	935,034
Payroll taxes	118,114	179,843	92,948	46,020	436,925	19,863	12,356	32,219	469,144
Total Employee Costs	1,820,607	2,772,104	1,432,693	709,351	6,734,755	306,162	190,451	496,613	7,231,368
Professional fees	115,964	259,683	34,227	16,820	426,694	12,008	3,919	15,927	442,621
Supplies	11,362	83,985	36,286	10,363	141,996	3,400	6,467	9,867	151,863
Telephone	20,246	33,587	30,533	15,732	100,098	3,939	1,440	5,379	105,477
Postage and shipping	857	2,946	2,480	1,324	7,607	207	8,356	8,563	16,170
Occupancy	152,893	181,285	26,376	26,338	386,892	60,365	14,781	75,146	462,038
Rent and maintenance equipment	12,660	31,273	3,930	3,171	51,034	3,535	4,546	8,081	59,115
Printing and publications	334	1,142	353	116	1,945	72	48,021	48,093	50,038
Travel	14,560	23,866	11,746	5,710	55,882	3,485	1,090	4,575	60,457
Conferences and meetings	4,711	5,353	2,451	1,230	13,745	450	1,459	1,909	15,654
Assistance to individuals	84,576	196,190	2,212	8,338	291,316	—	1,950	1,950	293,266
Membership dues	3,886	6,957	3,100	1,544	15,487	959	1,080	2,039	17,526
Interest expense	14,545	23,709	11,603	5,778	55,635	3,551	—	3,551	59,186
Local transportation	450	2,072	81,725	59,678	143,925	—	1,057	1,057	144,982
Miscellaneous	7,560	13,797	6,252	2,898	30,507	1,558	7,392	8,950	39,457
Insurance	26,321	43,344	20,958	10,437	101,060	6,483	1,081	7,564	108,624
Dues to national organizations	2,599	4,237	2,073	1,033	9,942	641	107	748	10,690
Trustee fees and taxes	4,947	8,064	3,947	1,965	18,923	1,208	—	1,208	20,131
Bad debts	64,184	—	720	30,116	95,020	—	—	—	95,020
Total Expenses Before Depreciation	2,363,262	3,693,594	1,713,665	911,942	8,682,463	408,023	293,197	701,220	9,383,683
Depreciation	100,684	134,373	22,737	22,828	280,622	54,114	12,793	66,907	347,529
Total Expenses	\$ 2,463,946	\$ 3,827,967	\$ 1,736,402	\$ 934,770	\$ 8,963,085	\$ 462,137	\$ 305,990	\$ 768,127	\$ 9,731,212

EDGEWOOD CHILDREN'S CENTER

STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2007	2006 (As Restated - Note 10)
Cash Flows From Operating Activities		
Decrease in net assets	\$ (544,329)	\$ (51,898)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	349,907	347,529
Realized and unrealized gain on investments	(27,219)	(267,362)
Change in value of beneficial interest in perpetual trusts	12,977	(27,514)
Pension plan changes other than net periodic benefit costs	214,066	(262,118)
Change in assets and liabilities:		
Increase in accounts receivable from government agencies	(116,148)	(73,872)
Increase in pledges receivable - operating	(287,620)	(59,657)
(Increase) decrease in prepaid expenses	77,941	(28,722)
Decrease in other assets	5,356	15,960
Increase (decrease) in accounts payable and accrued expenses	(100,210)	27,484
Decrease in accrued vacation and retirement pay	(22,279)	(10,693)
Net Cash Used In Operating Activities	(437,558)	(390,863)
Cash Flows From Investing Activities		
Purchases of investments	(964,302)	(911,248)
Proceeds from sales of investments	1,811,748	955,798
Purchases of property and equipment	(15,848)	(24,181)
Net Cash Provided By Investing Activities	831,598	20,369
Cash Flows From Financing Activities		
Net borrowings (repayments) on line of credit	(186,313)	203,304
Proceeds from issuance of note payable	—	400,000
Principal payments on note payable	(400,000)	(3,356)
Net Cash Provided By (Used In) Financing Activities	(586,313)	599,948
Net Increase (Decrease) In Cash And Cash Equivalents	(192,273)	229,454
Cash And Cash Equivalents - Beginning Of Year	680,742	451,288
Cash And Cash Equivalents - End Of Year	\$ 488,469	\$ 680,742
Supplemental Disclosure Of Cash Flow Information		
Interest paid	\$ 47,995	\$ 59,186

EDGEWOOD CHILDREN'S CENTER

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 And 2006

1. Summary Of Significant Accounting Policies

Basis Of Accounting

The financial statements of Edgewood Children's Center (the Center) have been prepared on the accrual basis of accounting.

Basis Of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets represent those net assets that are not subject to donor-imposed stipulations. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets represent those net assets whose use has been limited by donor-imposed stipulations that either can be fulfilled or removed by actions of the Center pursuant to those stipulations or expire by the passage of time.

Permanently Restricted Net Assets represent those net assets whose use has been limited by donor-imposed stipulations that must be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on the related investments for general or specific purposes.

Estimates And Assumptions

The Center uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may differ from those estimates.

Cash And Cash Equivalents

The Center considers all cash investment instruments with original maturities of three months or less to be cash equivalents. The Center invests its cash investments with financial institutions with strong credit ratings. At times, such investments may be in excess of Federal Deposit Insurance Corporation insurance limits.

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (*Continued*)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

Pledges Receivable

Unconditional pledges receivable are recognized as support in the period in which the pledges are received. Conditional pledges receivable, which depend upon specified future and uncertain events, are recognized as support when the conditions upon which they depend are substantially met. Pledges receivable are reported at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that are determined to be uncollectible.

Investments And Assets Restricted For Endowment

Investments are reported at fair value.

Property And Equipment

Property and equipment are carried at cost, if purchased, or at fair value, if donated, less accumulated depreciation computed using the straight-line method. The assets are depreciated over the following periods:

Buildings	10 - 50 years
Improvements	10 - 25 years
Vehicles	3 years
Equipment	8 years

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (*Continued*)

Restricted And Unrestricted Public Support And Revenues

The Center reports gifts of cash and other assets as unrestricted, temporarily restricted or permanently restricted, depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. As permitted under Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-For-Profit Organizations*, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Donated Supplies And Services

Various supplies are donated to the Center. These items generally are recorded as contributions at their fair values as of the date of receipt. Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. A number of volunteers have donated a significant amount of their time to the Center's programs. These donated services have not been recognized as contributions in the financial statements since the recognition criteria under SFAS No. 116 were not met.

Description Of Program Services And Supporting Activities

The following program services and supporting activities are included in the accompanying financial statements:

Program Services

Includes those expenditures of the following divisions that assist the Center in treating children with emotional, behavioral and communication disorders.

Residential Programs

The Residential Programs provide 24-hour care for 40 children and provide assistance to their families as needed.

Day/Special Education Programs

Includes those expenditures needed to provide special educational classes for children in residential and day treatment programs.

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (*Continued*)

Prevention Programs

The Prevention Programs provide short-term, intensive crisis intervention and family therapy in the home to prevent out of home placement for children.

Case Management

Case Management provides services to facilitate the placement of children after they leave the Residential Programs. In addition, it contracts for Case Management services with other agencies.

Supporting Activities:

Management And General

Includes the functions necessary to maintain an equitable employment program, ensure an adequate working environment, provide coordination and articulation of the Center's program strategy, secure proper administrative functioning of the Board of Directors, and manage the financial and budgetary responsibilities of the Center.

Development

Provides the structure necessary to encourage and secure private financial support from corporations, foundations and individuals through various fundraising and special events.

Expense Allocation

Expenses are charged to program services and supporting activities on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

Tax Status

The Center 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.

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (*Continued*)

2. Operations

The Center provides compassionate care and treatment to restore children and strengthen families through intensive therapy, special education, case management and support services. The Center received approximately \$1,783,000 and \$2,042,000 of its total revenue from the Missouri Division of Family Services for the years ended December 31, 2007 and 2006, respectively.

3. Pledges Receivable

Unconditional pledges receivable are expected to be collected as follows:

	<u>2007</u>	<u>2006</u>
Less than one year	\$ 975,847	\$ 903,227
Between one and five years	215,000	—
	<u>\$ 1,190,847</u>	<u>\$ 903,227</u>

The United Way of Greater St. Louis, Inc. provides funding for the Center's activities. During 2007, the United Way of Greater St. Louis notified the Center of the amount of funding allocated to the Center for 2008. The Center properly recorded this amount as a pledge receivable and temporarily restricted contribution at December 31, 2007.

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (Continued)

4. Investments And Assets Designated And Restricted For Endowment

Investments and assets restricted and Board designated for endowment consist of:

	<u>2007</u>	<u>2006</u>
U.S. Government securities	\$ 681,905	\$ 818,126
Corporate and municipal bonds	163,875	237,824
Common stocks	—	996,919
Certificates of deposit	89,833	88,686
Mutual funds		
Equity	1,554,977	1,138,632
Real estate	27,028	57,658
	<u>2,517,618</u>	<u>3,337,845</u>
Less: Assets restricted for permanent endowment	110,151	110,151
	<u>\$ 2,407,467</u>	<u>\$ 3,227,694</u>

Investment income for the years ended December 31, 2007 and 2006 is comprised of net gains on investments of \$27,219 and \$267,362, respectively, and interest and dividend income of \$163,830 and \$123,571, respectively. The amounts reported as investment return designated for current operations are based on the spending rule outlined in the Center's Endowment Fund Investment Policy. The spending rule is a fixed percentage (currently 8%) of the average quarter end market value of the Endowment Fund for the previous six to eight quarters. From time to time, the spending rule may designate amounts for operations in excess of the actual investment return.

Investment expenses amounted to \$13,824 and \$20,131 in 2007 and 2006, respectively.

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (Continued)

5. Property And Equipment

Property and equipment consist of:

	2007	2006
Land	\$ 27,000	\$ 27,000
Buildings	9,129,203	9,129,203
Improvements	541,370	541,370
Vehicles	188,203	188,203
Equipment	493,708	482,959
Construction in progress	5,099	—
	10,384,583	10,368,735
Less: Accumulated depreciation	4,812,184	4,462,277
	\$ 5,572,399	\$ 5,906,458

Depreciation expense amounted to \$349,907 in 2007 and \$347,529 in 2006.

6. Beneficial Interest In Perpetual Trusts

Beneficial interest in perpetual trusts consists of unconditional pledges receivable from perpetual trusts created by independent donors, which are not in the possession or control of the Center but are held and administered by independent bank trustees. The Center, along with other specified not-for-profit organizations, is a beneficiary of these trusts. The Center only derives income from these trusts, which is included in "General contributions" on the Statement of Activities. The principal of each trust is not available to the Center. The Center has recorded the pledges receivable at the present value of the future cash flows from the trusts. This present value was estimated to be equivalent to the Center's share of the current fair market value of the trusts. For the year ended December 31, 2007, the Center's share of the decrease in the market value of the trusts was \$12,977. For the year ended December 31, 2006, the Center's share of the increase in the market value of the trusts was \$27,514.

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (Continued)

7. Borrowings

Line Of Credit

The Center has an available line of credit of \$1,000,000 due on August 31, 2008. The agreement is secured by accounts receivable, inventory, property and equipment and provides for interest on borrowed funds at 2.25% over the Federal Funds rate. The advances on the line were \$542,551 and \$728,864 at December 31, 2007 and 2006, respectively.

Note Payable

During 2006, the Center entered into a note payable in the amount of \$400,000 secured by equipment, inventory and accounts receivable. The note matured on January 28, 2007. The interest rate was equal to the Federal Funds Floating Rate plus 2.25%. The debt was repaid in 2007.

Interest expense totaled \$47,995 and \$59,186 for 2007 and 2006, respectively.

8. Net Assets

Temporarily restricted net assets are subject to the following donor-imposed time and purpose restrictions:

	<u>2007</u>	<u>2006</u>
Time restrictions	\$ 985,847	\$ 899,691
Purpose restrictions:		
Campus furniture/equipment	6,506	1,904
Campus renovation/improvement	463,709	165,000
Program support/supplies	58,777	—
Service awards	1,000	1,000
Training	9,245	—
Tuition reimbursement	9,384	9,384
Other	—	28,714
	<u>\$ 1,534,468</u>	<u>\$ 1,105,693</u>

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (Continued)

Net assets were released from donor restrictions as follows:

	2007	2006
Expiration of time restrictions - other	\$ 899,691	\$ 777,249
Other	41,584	8,347
Tuition	—	200
	<u>\$ 941,275</u>	<u>\$ 785,796</u>

Permanently restricted net assets consist of the following:

	2007	2006
Beneficial interest in perpetual trusts (Note 6)	\$ 644,095	\$ 657,072
Endowment fund assets (Note 4)	110,151	110,151
	<u>\$ 754,246</u>	<u>\$ 767,223</u>

9. Special Events

Special events revenue and expenses consist of:

	2007		
	Revenue	Expenses	Net
Chefs' Night Out	\$ 73,240	\$ 11,047	\$ 62,193
Outside Benefits	19,683	4,752	14,931
Polo Event	23,461	15,441	8,020
In The Vineyard	170,913	37,877	133,036
	<u>\$ 287,297</u>	<u>\$ 69,117</u>	<u>\$ 218,180</u>

	2006		
	Revenue	Expenses	Net
Chefs' Night Out	\$ 69,990	\$ 12,690	\$ 57,300
Outside Benefits	15,469	5,698	9,771
Polo Event	31,028	13,252	17,776
In The Vineyard	160,621	47,342	113,279
	<u>\$ 277,108</u>	<u>\$ 78,982</u>	<u>\$ 198,126</u>

10. Change In Accounting Principle

In 2007, the Center adopted Statement on Financial Accounting Standards (SFAS) No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The pronouncement changed the disclosures for reporting obligations for pensions by requiring the recognition of underfunded status to include previously unrecognized items such as actuarial gains and losses. The SFAS did not change the measurement principles for plan assets or obligations or the approach for measuring annual benefit costs. Funded status is determined as the difference between the fair value of plan assets and the benefit obligation.

In adopting SFAS No. 158, the Center was not required to restate beginning net asset balances at December 31, 2005. The Center's pension plan has been frozen since May of 2005 and as a result thereof, the financial statements at December 31, 2005 included curtailment and actuarial adjustments that recognized funding status essentially the same as required under SFAS No. 158.

The Statement of Activities has been restated for 2006 to reflect \$262,118 of pension plan changes resulting from actuarial gains as another change distinct from operations. A corresponding reduction in accrued liabilities and net assets was recorded.

During 2007, as required under SFAS No. 158, \$214,066 of actuarial loss was recognized for the plan as an expense outside of operations.

11. Pension Plan

The Center has a frozen, defined benefit pension plan, which covers employees who became participants on or before May 1, 2005. Benefits are based on Credited Service and Five-Year Average Compensation, each frozen as of May 2, 2005. All participants were vested by the end of 2006.

The Center's funding policy is to contribute an amount at least equal to the minimum required contribution per applicable regulations. The Center's accrued benefit cost as of December 31, 2007 and 2006 amounts to \$388,458 and \$197,599 respectively, and is included in accrued vacation and retirement pay on the Statement of Financial Position.

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (Continued)

The following represents financial disclosure information for the above plan for the years ended December 31, 2007 and 2006:

Weighted-Average Assumptions Used To Determine Benefit Obligations At December 31

	<u>2007</u>	<u>2006</u>
Discount rate	6.25%	6.25%
Rate of compensation increase	N/A	N/A

Information For Pension Plans With An Accumulated Benefit Obligation In Excess Of Plan Assets

	<u>2007</u>	2006 (As Restated - Note 10)
Change In Benefit Obligation		
Net benefit obligation at beginning of year	\$ 5,017,250	\$ 4,897,023
Interest cost	308,665	299,564
Actuarial loss	170,247	28,673
Gross benefits paid	(157,236)	(208,010)
Projected benefit obligation at end of year	5,338,926	5,017,250
Accumulated benefit obligation at end of year	5,338,926	5,017,250
Change In Plan Assets		
Fair value of plan assets at beginning of year	4,819,651	4,433,785
Actual return on plan assets	288,053	593,876
Gross benefits paid	(157,236)	(208,010)
Fair value of plan assets	4,950,468	4,819,651
Funded status and accrued benefit cost amount recognized at end of year	\$ (388,458)	\$ (197,599)

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (Continued)

Weighted-Average Assumptions Used To Determine Net Periodic Benefit Cost For Years Ended December 31

	<u>2007</u>	<u>2006</u>
Discount rate	6.25%	6.25%
Expected long-term return on plan assets	7.0	7.0
Rate of compensation increase	N/A	N/A
Components Of Net Periodic Benefit Cost		
Interest cost	\$ 308,665	\$ 299,564
Expected return on plan assets	(331,872)	(303,085)
Total Net Periodic Benefit Cost (FAS 87 Cost)	\$ (23,207)	\$ (3,521)

Measurement Date

Edgewood uses a measurement date of December 31 for its pension plan.

Sensitivity To Changes In Assumptions

The table below outlines the sensitivity of Edgewood's pension plan to potential changes in key assumptions:

	<u>Net Periodic</u> <u>Benefit Cost</u>	<u>Benefit</u> <u>Obligation</u>
- 0.25% decrease in discount rate	\$ 18,478	\$ 192,069
- 0.25% decrease in expected return on assets	11,853	N/A

The expected long-term return on plan assets is based upon management's estimation of what a portfolio, with the target allocation shown below, will earn over a long-term horizon.

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (Continued)

Plan Assets

The Center's pension plan weighted-average asset allocations at December 31, 2007 and 2006, by asset category, are as follows:

Asset Category	Target Allocation	Plan Assets At December 31,	
		2007	2006
Equity securities	40% - 80%	58%	63%
Fixed investments and cash equivalents	10% - 60%	41%	33%
Real estate	0% - 10%	1%	4%
Total		100%	100%

The Center has retained a professional manager to help set an investment strategy, recommend individual investment managers and to monitor the results of the portfolio's allocations. As part of this arrangement, the Center meets quarterly with the manager to review portfolio content and results as well as to confirm or modify asset allocation targets.

In establishing an overall investment strategy, the Center's goal is to minimize the investment risk while earning a reasonable return on assets. As part of this, the Center establishes ranges for each of its investment allocation types. The targets are reviewed quarterly with the manager and have been occasionally adjusted as the circumstances warrant.

Cash Flows

Contributions

The Center does not anticipate that it will be necessary to make a contribution to its pension plan for 2008.

Estimated Future Benefit Payments

The estimated cash demand on the plan assets for the payment of future benefits is as follows:

	Pension Benefits
2008	\$ 229,445
2009	252,542
2010	267,325
2011	302,428
2012	295,927
Years 2013 - 2017	1,570,823

EDGEWOOD CHILDREN'S CENTER

Notes To Financial Statements (*Continued*)

12. Retirement Plan

Effective on October 31, 2005, the Center established a 403(b) retirement plan covering all employees at least 21 years of age. Elective deferrals are effective immediately, and the Center matches participants' contributions to the plan 100% of the deferral up to 5%, after one year. The Center's contributions to the 403(b) plan amounted to \$136,198 and \$112,036 for 2007 and 2006, respectively.

13. Lease Commitments

At December 31, 2007, the Center was obligated under an operating lease for telephone equipment, which expires March 31, 2008. Approximate future minimum rental commitments at December 31, 2007 are as follows:

Year	Amount
2008	\$ 6,205

Rent expense charged against operations amounted to \$29,046 and \$28,692 in 2007 and 2006, respectively.

14. Commitments And Contingencies

The Center is one of nine members of the Missouri Alliance for Children and Families, LLC (Alliance), a Missouri nonprofit corporation. All of the members in the Alliance, including the Center, have guaranteed a \$500,000 note payable of the Alliance in proportion to their ownership percentages. At December 31, 2007 and 2006, the Alliance had a \$1 note payable balance (of the \$500,000) and the Center's ownership percentage was approximately 11%. The unaudited balance sheet of the Alliance as of December 31, 2007 reported a member equity deficiency of approximately \$800,000.

The Center is subject to legal claims arising in the normal conduct of its operations. Management does not expect that these matters will have a material adverse effect on its financial position.