

Return of Organization Exempt From Income Tax

2005

Open to Public Inspection

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

The organization may have to use a copy of this return to satisfy state reporting requirements.

Department of the Treasury Internal Revenue Service

A For the 2005 calendar year, or tax year beginning 7/01, 2005, and ending 6/30, 2006

- B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending

Please use IRS label or print or type. See specific instructions.

FIRST STEPS, INC. 4414 GRANNY WHITE PIKE NASHVILLE, TN 37204

D Employer Identification Number 62-0674974
E Telephone number 615-298-5619
F Accounting method: Cash, Accrual, Other (specify)

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

H and I are not applicable to section 527 organizations.

H (a) Is this a group return for affiliates? No
H (b) If 'Yes,' enter number of affiliates
H (c) Are all affiliates included? No
H (d) Is this a separate return filed by an organization covered by a group ruling? No
I Group Exemption Number
M Check if the organization is not required to attach Schedule B

G Web site: N/A

J Organization type (check only) 501(c) 3 (insert no.) 4947(a)(1) or 527

K Check here if the organization's gross receipts are normally not more than \$25,000. The organization need not file a return with the IRS; but if the organization chooses to file a return, be sure to file a complete return. Some states require a complete return.

L Gross receipts: Add lines 6b, 8b, 9b, and 10b to line 12 1,518,326.

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Instructions)

REVENUE

EXPENSES

ASSETS

Table with 21 rows and multiple columns. Rows include: 1 Contributions, gifts, grants, and similar amounts received; 2 Program service revenue including government fees and contracts; 3 Membership dues and assessments; 4 Interest on savings and temporary cash investments; 5 Dividends and interest from securities; 6a Gross rents; 6b Less: rental expenses; 6c Net rental income or (loss); 7 Other investment income; 8a Gross amount from sales of assets other than inventory; 8b Less: cost or other basis and sales expenses; 8c Gain or (loss); 8d Net gain or (loss); 9 Special events and activities; 9a Gross revenue; 9b Less: direct expenses other than fundraising expenses; 9c Net income or (loss) from special events; 10a Gross sales of inventory, less returns and allowances; 10b Less: cost of goods sold; 10c Gross profit or (loss) from sales of inventory; 11 Other revenue; 12 Total revenue; 13 Program services; 14 Management and general; 15 Fundraising; 16 Payments to affiliates; 17 Total expenses; 18 Excess or (deficit) for the year; 19 Net assets or fund balances at beginning of year; 20 Other changes in net assets or fund balances; 21 Net assets or fund balances at end of year.

Part III **Statement of Functional Expenses** All organizations must complete column (A). Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others.

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I.		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (att sch) (cash \$ _____ non-cash \$ _____) If this amount includes foreign grants, check here <input type="checkbox"/>	22				
23 Specific assistance to individuals (att sch)	23				
24 Benefits paid to or for members (att sch)	24				
25 Compensation of officers, directors, etc	25	151,140.	0.	71,875.	79,265.
26 Other salaries and wages	26	808,854.	808,854.		
27 Pension plan contributions	27	16,374.	14,689.	685.	1,000.
28 Other employee benefits	28	98,943.	88,760.	4,142.	6,041.
29 Payroll taxes	29	73,072.	65,552.	3,059.	4,461.
30 Professional fundraising fees	30				
31 Accounting fees	31				
32 Legal fees	32				
33 Supplies	33	33,802.	31,215.	2,587.	
34 Telephone	34				
35 Postage and shipping	35				
36 Occupancy	36	6,450.	5,659.	791.	
37 Equipment rental and maintenance	37	25,751.	23,568.	2,183.	
38 Printing and publications	38				
39 Travel	39	17,408.	16,883.	525.	
40 Conferences, conventions, and meetings	40	5,001.	3,184.	1,817.	
41 Interest	41				
42 Depreciation, depletion, etc (attach schedule)	42	17,687.	15,434.	2,253.	
43 Other expenses not covered above (itemize):					
a SEE STATEMENT 4	43a	148,985.	118,025.	30,960.	
b _____	43b				
c _____	43c				
d _____	43d				
e _____	43e				
f _____	43f				
g _____	43g				
44 Total functional expenses. Add lines 22 through 43. (Organizations completing columns (B) - (D), carry these totals to lines 13 - 15).	44	1,403,467.	1,191,823.	120,877.	90,767.

Joint Costs. Check if you are following SOP 98-2.
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If 'Yes,' enter (i) the aggregate amount of these joint costs \$ _____; (ii) the amount allocated to Program services \$ _____; (iii) the amount allocated to Management and general \$ _____; and (iv) the amount allocated to Fundraising \$ _____.

Part III Statement of Program Service Accomplishments

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

What is the organization's primary exempt purpose? ▶ <u>SEE STATEMENT 5</u> All organizations must describe their exempt purpose achievements in a clear and concise manner. State the number of clients served, publications issued, etc. Discuss achievements that are not measurable. (Section 501(c)(3) and (4) organizations and 4947(a)(1) nonexempt charitable trusts must also enter the amount of grants and allocations to others.)	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts; but optional for others.)
a <u>PROVIDE QUALITY EARLY INTERVENTION SERVICES FOR CHILDREN WITH AND WITHOUT DISABILITIES AS WELL AS SUPPORT AND GUIDANCE FOR THEIR FAMILIES</u> ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ... ▶ <input type="checkbox"/>	1,191,823.
b ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ... ▶ <input type="checkbox"/>	
c ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ... ▶ <input type="checkbox"/>	
d ----- ----- ----- (Grants and allocations \$ _____) If this amount includes foreign grants, check here ... ▶ <input type="checkbox"/>	
e Other program services..... (Grants and allocations \$ _____) If this amount includes foreign grants, check here ... ▶ <input type="checkbox"/>	
f Total of Program Service Expenses (should equal line 44, column (B), Program services) ▶	1,191,823.

Part IV Balance Sheets (See Instructions)

Note: Where required, attached schedules and amounts within the description column should be for end-of-year amounts only.

		(A) Beginning of year		(B) End of year
ASSETS	45 Cash — non-interest-bearing	96,815.	45	202,556.
	46 Savings and temporary cash investments	1,255.	46	62,517.
	47a Accounts receivable	4,058.		
	b Less: allowance for doubtful accounts		47c	4,058.
	47b	32,309.		
	48a Pledges receivable		48c	
	b Less: allowance for doubtful accounts		48b	
	49 Grants receivable	51,474.	49	78,738.
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)		50	
	51a Other notes & loans receivable (attach sch)		51c	
	b Less: allowance for doubtful accounts		51b	
	52 Inventories for sale or use		52	
	53 Prepaid expenses and deferred charges		53	
	54 Investments — securities (attach schedule) .SEE. ST. 6 <input type="checkbox"/> Cost <input checked="" type="checkbox"/> FMV	108,315.	54	45,649.
	55a Investments — land, buildings, & equipment: basis			
b Less: accumulated depreciation (attach schedule)		55c		
55b		56		
56 Investments — other (attach schedule)				
57a Land, buildings, and equipment: basis	177,695.			
b Less: accumulated depreciation (attach schedule) .STATEMENT 7...	106,799.	57c	70,896.	
57b	84,289.			
58 Other assets (describe <input type="checkbox"/>		58		
59 Total assets (must equal line 74). Add lines 45 through 58	374,457.	59	464,414.	
LIABILITIES	60 Accounts payable and accrued expenses	72,313.	60	91,738.
	61 Grants payable		61	
	62 Deferred revenue		62	
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63	
	64a Tax-exempt bond liabilities (attach schedule)		64a	
	b Mortgages and other notes payable (attach schedule)		64b	
	65 Other liabilities (describe <input type="checkbox"/>		65	
66 Total liabilities. Add lines 60 through 65	72,313.	66	91,738.	
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74.			
	67 Unrestricted	273,144.	67	352,676.
	68 Temporarily restricted	29,000.	68	20,000.
	69 Permanently restricted		69	
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74.			
	70 Capital stock, trust principal, or current funds		70	
	71 Paid-in or capital surplus, or land, building, and equipment fund		71	
	72 Retained earnings, endowment, accumulated income, or other funds		72	
	73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72; column (A) must equal line 19; column (B) must equal line 21)	302,144.	73	372,676.
	74 Total liabilities and net assets/fund balances. Add lines 66 and 73	374,457.	74	464,414.

BAA

Part IV A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See instructions.)

a	Total revenue, gains, and other support per audited financial statements.....	a	1,550,463.
b	Amounts included on line a but not on Part I, line 12:		
	1 Net unrealized gains on investments.....	b1	
	2 Donated services and use of facilities.....	b2	56,100.
	3 Recoveries of prior year grants.....	b3	
	4 Other (specify): SEE STM 8.....	b4	18,721.
	Add lines b1 through b4.....	b	74,821.
c	Subtract line b from line a.....	c	1,475,642.
d	Amounts included on Part I, line 12, but not on line a:		
	1 Investment expenses not included on Part I, line 6b.....	d1	
	2 Other (specify):	d2	
	Add lines d1 and d2.....	d	
e	Total revenue (Part I, line 12). Add lines c and d.....	e	1,475,642.

Part IV B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return

a	Total expenses and losses per audited financial statements.....	a	1,479,931.
b	Amounts included on line a but not on Part I, line 17:		
	1 Donated services and use of facilities.....	b1	56,100.
	2 Prior year adjustments reported on Part I, line 20.....	b2	
	3 Losses reported on Part I, line 20.....	b3	
	4 Other (specify): SEE STMT 9.....	b4	20,364.
	Add lines b1 through b4.....	b	76,464.
c	Subtract line b from line a.....	c	1,403,467.
d	Amounts included on Part I, line 17, but not on line a:		
	1 Investment expenses not included on Part I, line 6b.....	d1	
	2 Other (specify):	d2	
	Add lines d1 and d2.....	d	
e	Total expenses (Part I, line 17). Add lines c and d.....	e	1,403,467.

Part V A Current Officers, Directors, Trustees, and Key Employees (List each person who was an officer, director, trustee, or key employee at any time during the year even if they were not compensated.) (See the instructions.)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans and deferred compensation plans	(E) Expense account and other allowances
SEE STATEMENT 10		151,140.	3,023.	232.

Part VI Other Information (continued)

82 a Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value? 82a X
b If 'Yes,' you may indicate the value of these items here. Do not include this amount as revenue in Part I or as an expense in Part II. (See instructions in Part III.) 82b 56,100.
83 a Did the organization comply with the public inspection requirements for returns and exemption applications? 83a X
b Did the organization comply with the disclosure requirements relating to quid pro quo contributions? 83b X
84 a Did the organization solicit any contributions or gifts that were not tax deductible? 84a X
b If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible? 84b N/A
85 501(c)(4), (5), or (6) organizations. a Were substantially all dues nondeductible by members? 85a N/A
b Did the organization make only in-house lobbying expenditures of \$2,000 or less? 85b N/A
c Dues, assessments, and similar amounts from members. 85c N/A
d Section 162(e) lobbying and political expenditures. 85d N/A
e Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices. 85e N/A
f Taxable amount of lobbying and political expenditures (line 85d less 85e). 85f N/A
g Does the organization elect to pay the section 6033(e) tax on the amount on line 85f? 85g N/A
h If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year? 85h N/A
86 501(c)(7) organizations. Enter: a Initiation fees and capital contributions included on line 12. 86a N/A
b Gross receipts, included on line 12, for public use of club facilities. 86b N/A
87 501(c)(12) organizations. Enter: a Gross income from members or shareholders 87a N/A
b Gross income from other sources. (Do not net amounts due or paid to other sources against amounts due or received from them.) 87b N/A
88 At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? 88 X
89 a 501(c)(3) organizations. Enter: Amount of tax imposed on the organization during the year under: section 4911 0.; section 4912 0.; section 4955 0.
b 501(c)(3) and 501(c)(4) organizations. Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction. 89b X
c Enter: Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958. 0.
d Enter: Amount of tax on line 89c, above, reimbursed by the organization. 0.
90 a List the states with which a copy of this return is filed TN
b Number of employees employed in the pay period that includes March 12, 2005 (See instructions.) 90b 38
91 a The books are in care of DEE PARKER Telephone number 615-298-5619
Located at 4004 HILLSBORO ROAD, STE B 250, NASHVILLE TN ZIP + 4 37215
b At any time during the calendar year, did the organization have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? 91b X
c At any time during the calendar year, did the organization maintain an office outside of the United States? 91c X
92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here N/A
and enter the amount of tax-exempt interest received or accrued during the tax year. 92 N/A

BAA

Part VII Analysis of Income-Producing Activities (See the instructions.)

Note: Enter gross amounts unless otherwise indicated.

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue:					
a PROGRAM SERVICE FEES					260,033.
b TN EARLY INTERVENTION					24,392.
c					
d					
e					
f Medicare/Medicaid payments					
g Fees & contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts					
96 Dividends & interest from securities			14	4,397.	
97 Net rental income or (loss) from real estate:					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from pers prop.					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory			18	7,241.	
101 Net income or (loss) from special events			1	41,301.	
102 Gross profit or (loss) from sales of inventory					
103 Other revenue: a					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))				52,939.	284,425.
105 Total (add line 104, columns (B), (D), and (E))					337,364.

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I.

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See the instructions.)

Line No.	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes).
93 (A)	CHILD CARE FEES CHARGED TO PARTIALLY FUND DIRECT AND INDIRECT COSTS OF CHILD DIAGNOSTIC AND CHILD CARE SERVICES
93 (B)	FEES CHARGED TO THE TN EARLY INTERVENTION SYSTEM TO PARTIALLY FUND DIRECT AND INDIRECT COSTS OF CHILD DIAGNOSTIC AND CHILD CARE SERVICES

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See the instructions.)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	0%			
	0%			
	0%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See the instructions.)

- a Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- b Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
- Note: If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions).

Please Sign Here

Under penalty of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer: Heather Higgins Date: 12/4/06

Type or print name and title: HEATHER HIGGINS / EXECUTIVE DIRECTOR

Paid Preparer's Use Only

Preparer's signature: AT Ray, CPA Date: 12-4-06 Check if self-employed: Preparer's SSN or PTIN (See General Instruction W): N/A

Firm's name (or yours if self-employed), address, and ZIP + 4: FRASIER, DEAN & HOWARD, PLLC
3310 WEST END AVENUE, STE. 550
NASHVILLE, TN 37203 EIN: N/A Phone no.: (615) 383-6592

SCHEDULE A
(Form 990 or 990-EZ)

**Organization Exempt Under
Section 501(c)(3)**

OMB No. 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or 4947(a)(1) Nonexempt Charitable Trust

2005

Department of the Treasury
Internal Revenue Service

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ.**

Name of the organization

FIRST STEPS, INC.

Employer identification number

62-0674974

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See instructions. List each one. If there are none, enter 'None.')

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account and other allowances
NONE				
Total number of other employees paid over \$50,000	0			

Part II - A Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See instructions. List each one (whether individuals or firms). If there are none, enter 'None.')

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services	0	

Part II - B Compensation of the Five Highest Paid Independent Contractors for Other Services

(List each contractor who performed services other than professional services, whether individuals or firms. If there are none, enter 'None.' See instructions.)

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of other contractors receiving over \$50,000 for other services	0	

Part III Statements About Activities (See instructions.)

Table with 3 columns: Question, Yes, No. Rows include: 1. During the year, has the organization attempted to influence national, state, or local legislation...; 2. During the year, has the organization, either directly or indirectly, engaged in any of the following acts...; 3a-3c. Do you make grants for scholarships...; 4a-4b. Did you maintain any separate account for participating donors...; 4c. Do you provide credit counseling...

Part IV Reason for Non-Private Foundation Status (See instructions.)

The organization is not a private foundation because it is: (Please check only ONE applicable box.)

- 5 [] A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
6 [] A school. Section 170(b)(1)(A)(ii). (Also complete Part V.)
7 [] A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
8 [] A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
9 [] A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state
10 [] An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the Support Schedule in Part IV-A.)
11a [X] An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
11b [] A community trust. Section 170(b)(1)(A)(vi). (Also complete the Support Schedule in Part IV-A.)
12 [] An organization that normally receives: (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc, functions - subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the Support Schedule in Part IV-A.)
13 [] An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: (1) lines 5 through 12 above; or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). Check the box that describes the type of supporting organization: [] Type 1 [] Type 2 [] Type 3

Provide the following information about the supported organizations. (See instructions.)

Table with 2 columns: (a) Name(s) of supported organization(s), (b) Line number from above. Multiple rows for listing organizations.

- 14 [] An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions.)

Part IVA Support Schedule (Complete only if you checked a box on line 10, 11, or 12.) *Use cash method of accounting.*

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in)	(a) 2004	(b) 2003	(c) 2002	(d) 2001	(e) Total
15 Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.)...	1,182,043.	1,228,512.	992,046.	889,484.	4,292,085.
16 Membership fees received					0.
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc. purpose	221,061.	202,815.	223,895.	208,570.	856,341.
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975	4,612.	1,119.	1,234.	2,531.	9,496.
19 Net income from unrelated business activities not included in line 18					0.
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					0.
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge					0.
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets SEE . STMT . 11	16.	2,847.	7,306.	3,445.	13,614.
23 Total of lines 15 through 22	1,407,732.	1,435,293.	1,224,481.	1,104,030.	5,171,536.
24 Line 23 minus line 17	1,186,671.	1,232,478.	1,000,586.	895,460.	4,315,195.
25 Enter 1% of line 23	14,077.	14,353.	12,245.	11,040.	
26 Organizations described on lines 10 or 11: a Enter 2% of amount in column (e), line 24					26a 86,304.
b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 2001 through 2004 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts					26b 13,696.
c Total support for section 509(a)(1) test: Enter line 24, column (e)					26c 4,315,195.
d Add: Amounts from column (e) for lines: 18 <u>9,496.</u> 19 <u> </u>					26d 36,806.
22 <u>13,614.</u> 26b <u>13,696.</u>					26e 4,278,389.
e Public support (line 26c minus line 26d total)					26f 99.15 %
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))					
27 Organizations described on line 12: N/A					
a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year: (2004) _____ (2003) _____ (2002) _____ (2001) _____					
b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11b, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (2004) _____ (2003) _____ (2002) _____ (2001) _____					
c Add: Amounts from column (e) for lines: 15 _____ 16 _____					27c _____
17 _____ 20 _____ 21 _____					27d _____
d Add: Line 27a total _____ and line 27b total					27e _____
e Public support (line 27c total minus line 27d total)					27f _____
f Total support for section 509(a)(2) test: Enter amount from line 23, column (e) ...					27g _____
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))					27h _____
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))					

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 2001 through 2004, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

Part V Private School Questionnaire (See instructions.)
 (To be completed **ONLY** by schools that checked the box on line 6 in Part IV)

N/A

		N/A	Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?.....			
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?.....			
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves?..... If 'Yes,' please describe; if 'No,' please explain. (If you need more space, attach a separate statement.) ----- ----- -----			
32	Does the organization maintain the following:			
a	Records indicating the racial composition of the student body, faculty, and administrative staff?.....	32 a		
b	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?.....	32 b		
c	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?.....	32 c		
d	Copies of all material used by the organization or on its behalf to solicit contributions?..... If you answered 'No' to any of the above, please explain. (If you need more space, attach a separate statement.) ----- -----	32 d		
33	Does the organization discriminate by race in any way with respect to:			
a	Students' rights or privileges?.....	33 a		
b	Admissions policies?.....	33 b		
c	Employment of faculty or administrative staff?.....	33 c		
d	Scholarships or other financial assistance?.....	33 d		
e	Educational policies?.....	33 e		
f	Use of facilities?.....	33 f		
g	Athletic programs?.....	33 g		
h	Other extracurricular activities?..... If you answered 'Yes' to any of the above, please explain. (If you need more space, attach a separate statement.) ----- -----	33 h		
34 a	Does the organization receive any financial aid or assistance from a governmental agency?.....	34 a		
b	Has the organization's right to such aid ever been revoked or suspended?..... If you answered 'Yes' to either 34a or b, please explain using an attached statement.	34 b		
35	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev Proc 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If 'No,' attach an explanation.....	35		

Part VI-A Lobbying Expenditures by Electing Public Charities (See instructions.)
(To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check **a** if the organization belongs to an affiliated group. Check **b** if you checked 'a' and 'limited control' provisions apply.

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
(The term 'expenditures' means amounts paid or incurred.)			
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount. Enter the amount from the following table –		
	If the amount on line 40 is –		
	The lobbying nontaxable amount is –		
	Not over \$500,000. 20% of the amount on line 40.		
	Over \$500,000 but not over \$1,000,000. \$100,000 plus 15% of the excess over \$500,000		
	Over \$1,000,000 but not over \$1,500,000. \$175,000 plus 10% of the excess over \$1,000,000	41	
	Over \$1,500,000 but not over \$17,000,000. \$225,000 plus 5% of the excess over \$1,500,000		
	Over \$17,000,000. \$1,000,000.		
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	
Caution: If there is an amount on either line 43 or line 44, you must file Form 4720.			

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.
See the instructions for lines 45 through 50.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2005	(b) 2004	(c) 2003	(d) 2002	(e) Total
45	Lobbying nontaxable amount				
46	Lobbying ceiling amount (150% of line 45(e))				
47	Total lobbying expenditures				
48	Grassroots non-taxable amount				
49	Grassroots ceiling amount (150% of line 48(e))				
50	Grassroots lobbying expenditures				

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See instructions.)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of:

	Yes	No	Amount
a Volunteers			
b Paid staff or management (Include compensation in expenses reported on lines c through h.)			
c Media advertisements			
d Mailings to members, legislators, or the public			
e Publications, or published or broadcast statements			
f Grants to other organizations for lobbying purposes			
g Direct contact with legislators, their staffs, government officials, or a legislative body			
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means			
i Total lobbying expenditures (add lines c through h.)			

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities.

FIRST STEPS, INC.

62-0674974

STATEMENT 1
FORM 990, PART I, LINE 8
NET GAIN (LOSS) FROM NONINVENTORY SALES

PUBLICLY TRADED SECURITIES

GROSS SALES PRICE: 15,461.
COST OR OTHER BASIS: 15,420.

TOTAL GAIN (LOSS) PUBLICLY TRADED SECURITIES \$ 41.

OTHER ASSETS

DESCRIPTION: BUILDING IMPROVEMENTS
DATE ACQUIRED: VARIOUS
HOW ACQUIRED: PURCHASE
DATE SOLD: 6/30/2006
TO WHOM SOLD:
GROSS SALES PRICE: 0.
COST OR OTHER BASIS: 8,493.
DEPRECIATION: 5,852.

GAIN (LOSS) -2,641.

DESCRIPTION: FURNITURE & EQUIPMENT
DATE ACQUIRED: VARIOUS
HOW ACQUIRED: PURCHASE
DATE SOLD: 6/30/2006
TO WHOM SOLD:
GROSS SALES PRICE: 0.
COST OR OTHER BASIS: 16,023.
DEPRECIATION: 15,735.

GAIN (LOSS) -288.

DESCRIPTION: TELEPHONE SYSTEMS
DATE ACQUIRED: VARIOUS
HOW ACQUIRED: PURCHASE
DATE SOLD: 6/30/2006
TO WHOM SOLD:
GROSS SALES PRICE: 0.
COST OR OTHER BASIS: 1,985.
DEPRECIATION: 1,985.

GAIN (LOSS) 0.

DESCRIPTION: 2002 VAN
DATE ACQUIRED: 4/01/2002
HOW ACQUIRED: PURCHASE
DATE SOLD: 4/01/2006
TO WHOM SOLD:
GROSS SALES PRICE: 14,100.
COST OR OTHER BASIS: 19,856.
DEPRECIATION: 15,885.

GAIN (LOSS) 10,129.

TOTAL GAIN (LOSS) OTHER ASSETS \$ 7,200.

TOTAL NET GAIN (LOSS) FROM NONINVENTORY SALES \$ 7,241.

FIRST STEPS, INC.

62-0674974

STATEMENT 2
FORM 990, PART I, LINE 9
NET INCOME (LOSS) FROM SPECIAL EVENTS

SPECIAL EVENTS	GROSS RECEIPTS	LESS CONTRI-BUTIONS	GROSS REVENUE	LESS DIRECT EXPENSES	NET INCOME (LOSS)
CHAMPIONS FOR CHILDREN DINNER	61,665.	0.	61,665.	20,364.	41,301.
TOTAL	<u>\$ 61,665.</u>	<u>\$ 0.</u>	<u>\$ 61,665.</u>	<u>\$ 20,364.</u>	<u>\$ 41,301.</u>

STATEMENT 3
FORM 990, PART I, LINE 20
OTHER CHANGES IN NET ASSETS OR FUND BALANCES

UNREALIZED LOSS ON INVESTMENTS	\$ -1,643.
TOTAL	<u>\$ -1,643.</u>

STATEMENT 4
FORM 990, PART II, LINE 43
OTHER EXPENSES

	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT & GENERAL	(D) FUNDRAISING
ADVERTISING	1,624.	1,564.	60.	
BAD DEBTS	3,023.	895.	2,128.	
COMMUNICATIONS	20,429.	17,849.	2,580.	
COMMUNITY FDTN - ENDOWMENT FD	8,450.		8,450.	
DUES	2,278.	627.	1,651.	
FOOD	40,142.	40,101.	41.	
INSURANCE	14,720.	13,323.	1,397.	
LICENSES	2,345.	2,290.	55.	
MISCELLANEOUS	3,202.	603.	2,599.	
PROFESSIONAL SERVICES	41,935.	30,852.	11,083.	
TRANSPORTATION	436.	436.		
UTILITIES	10,401.	9,485.	916.	
TOTAL	<u>\$ 148,985.</u>	<u>\$ 118,025.</u>	<u>\$ 30,960.</u>	<u>\$ 0.</u>

STATEMENT 5
FORM 990, PART III
ORGANIZATION'S PRIMARY EXEMPT PURPOSE

EDUCATION AND TRAINING FOR DEVELOPMENTALLY DISABLED CHILDREN

FIRST STEPS, INC.

62-0674974

STATEMENT 6
FORM 990, PART IV, LINE 54
INVESTMENTS - SECURITIES

OTHER PUBLICLY TRADED SECURITIES	VALUATION METHOD	AMOUNT
MUTUAL FUNDS	MARKET VALUE	\$ 45,649.
	TOTAL	\$ 45,649.
TOTAL INVESTMENTS - SECURITIES		<u>\$ 45,649.</u>

STATEMENT 7
FORM 990, PART IV, LINE 57
LAND, BUILDINGS, AND EQUIPMENT

CATEGORY	BASIS	ACCUM. DEPREC.	BOOK VALUE
MACHINERY AND EQUIPMENT	\$ 71,641.	\$ 55,060.	\$ 16,581.
IMPROVEMENTS	106,054.	51,739.	54,315.
TOTAL	<u>\$ 177,695.</u>	<u>\$ 106,799.</u>	<u>\$ 70,896.</u>

STATEMENT 8
FORM 990, PART IV-A, LINE B(4)
OTHER AMOUNTS

SPECIAL EVENT EXPENSE-NET WITH REVENUES	\$ 20,364.
UNREALIZED LOSS ON INVESTMENTS	-1,643.
TOTAL	<u>\$ 18,721.</u>

STATEMENT 9
FORM 990, PART IV-B, LINE B(4)
OTHER AMOUNTS

SPECIAL EVENT EXPENSE-NET WITH REVENUES	\$ 20,364.
TOTAL	<u>\$ 20,364.</u>

FIRST STEPS, INC.

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STATEMENT 10
FORM 990, PART V-A
LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

<u>NAME AND ADDRESS</u>	<u>TITLE AND AVERAGE HOURS PER WEEK DEVOTED</u>	<u>COMPEN- SATION</u>	<u>CONTRI- BUTION TO EBP & DC</u>	<u>EXPENSE ACCOUNT/ OTHER</u>
CAROLYN KITTS OLD HICKORY, TN	HUMAN RESOURCE 1	\$ 0.	\$ 0.	\$ 0.
JON SUNDOCK BRENTWOOD, TN 37027	VICE PRESIDENT 1	0.	0.	0.
DEBBIE DAY FRANKLIN, TN	BOARD MEMBER 1	0.	0.	0.
BEVERLY HEDRICK NASHVILLE, TN 37219	DVLPMT COCHAIR 1	0.	0.	0.
JOYCE PEACOCK NASHVILLE, TN	TREAS & FIN CH. 1	0.	0.	0.
TRAVIS CAPERS NASHVILLE, TN 37211	BOARD MEMBER 1	0.	0.	0.
SUSAN BROWNIE BRENTWOOD, TN	BOARD MEMBER 1	0.	0.	0.
HERBERT DE BERRY NASHVILLE, TN	BOARD MEMBER 1	0.	0.	0.
AMY DUNLAP NASHVILLE, TN	SECRETARY 1	0.	0.	0.
ROBERT H. LAIRD, JR. NASHVILLE, TN 37203	PROGRAM CHAIR 1	0.	0.	0.
DOUG ANDERSON NASHVILLE, TN 37211	BOARD MEMBER 1	0.	0.	0.
JACKIE DIXON NASHVILLE, TN 37219	ADVISORY MEMBER 1	0.	0.	0.

FIRST STEPS, INC.

62-0674974

STATEMENT 10 (CONTINUED)
 FORM 990, PART V-A
 LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

<u>NAME AND ADDRESS</u>	<u>TITLE AND AVERAGE HOURS PER WEEK DEVOTED</u>	<u>COMPEN- SATION</u>	<u>CONTRI- BUTION TO EBP & DC</u>	<u>EXPENSE ACCOUNT/ OTHER</u>
MANDY CAWOOD NASHVILLE, TN 37215	BOARD MEMBER 1	\$ 0.	\$ 0.	\$ 0.
DEE DOOCHIN NASHVILLE, TN 37215	BOARD MEMBER 1	0.	0.	0.
BOB MARTINEAU NASHVILLE, TN	PRESIDENT 1	0.	0.	0.
JONATHAN HARRIS NASHVILLE, TN 37219	BOARD MEMBER 1	0.	0.	0.
BARBARA CRAWFORD, PH.D. NASHVILLE, TN 37209	BOARD MEMBER 1	0.	0.	0.
BLAIR MCEVOY NASHVILLE, TN 37215	BOARD MEMBER 1	0.	0.	0.
BARBARA DADE NASHVILLE, TN 37205	BOARD MEMBER 1	0.	0.	0.
JAMES SHMERLING NASHVILLE, TN	BOARD MEMBER 1	0.	0.	0.
KATHY STORY ANTIOCH, TN	BOARD MEMBER 1	0.	0.	0.
LARA DUNCAN NASHVILLE, TN 37209	BOARD MEMBER 1	0.	0.	0.
CHRISTINE GEBHARDT, PH.D. NASHVILLE, TN 37211	BOARD MEMBER 1	0.	0.	0.
DIANA PARKER NASHVILLE, TN	DIR. OF FINANCE 40	56,500.	1,130.	38.

FIRST STEPS, INC.

62-0674974

STATEMENT 10 (CONTINUED)
 FORM 990, PART V-A
 LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

<u>NAME AND ADDRESS</u>	<u>TITLE AND AVERAGE HOURS PER WEEK DEVOTED</u>	<u>COMPEN- SATION</u>	<u>CONTRI- BUTION TO EBP & DC</u>	<u>EXPENSE ACCOUNT/ OTHER</u>
HEATHER HIGGINS NASHVILLE, TN 37204	EXECUTIVE DIREC 40	\$ 59,000.	\$ 1,180.	\$ 156.
DARLENE HARRIS MURFREESBORO, TN 37130	BOARD MEMBER 1	0.	0.	0.
MONICA MACKIE FRANKLIN, TN 37069	BOARD MEMBER 1	0.	0.	0.
ROBIN MCWILLIAM, PH.D. NASHVILLE, TN 37232	BOARD MEMBER 1	0.	0.	0.
WILLIAM TAYLOR NASHVILLE, TN 37203	BOARD MEMBER 1	0.	0.	0.
SHANA WITHEROW NASHVILLE, TN 37212	BOARD MEMBER 1	0.	0.	0.
CHUCK BADER NASHVILLE, TN 37211	ADVISORY MEMBER 1	0.	0.	0.
KEITH FRAZIER NASHVILLE, TN 37219	ADVISORY MEMBER 1	0.	0.	0.
KIM HARDIN NASHVILLE, TN 37201	ADVISORY MEMBER 1	0.	0.	0.
MARK JONES FRANKLIN, TN 37064	ADVISORY MEMBER 1	0.	0.	0.
KEN KRAUS NASHVILLE, TN 37212	ADVISORY MEMBER 1	0.	0.	0.
DR. MELANIE LUTENBACHER NASHVILLE, TN 37240	ADVISORY MEMBER 1	0.	0.	0.

FIRST STEPS, INC.

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STATEMENT 10 (CONTINUED)
 FORM 990, PART V-A
 LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

NAME AND ADDRESS	TITLE AND AVERAGE HOURS PER WEEK DEVOTED	COMPEN- SATION	CONTRI- BUTION TO EBP & DC	EXPENSE ACCOUNT/ OTHER
KATHY MEDLIN NASHVILLE, TN 37204	ADVISORY MEMBER 1	\$ 0.	\$ 0.	\$ 0.
SUSAN MYERS NASHVILLE, TN 37203	ADVISORY MEMBER 1	0.	0.	0.
JOHN ROBINSON NASHVILLE, TN 37205	ADVISORY MEMBER 1	0.	0.	0.
DAVID SCHROEDER, M.D. FRANKLIN, TN 37064	ADVISORY MEMBER 1	0.	0.	0.
PAUL VAN WULVEN HERMITAGE, TN 37076	ADVISORY MEMBER 1	0.	0.	0.
BEVERLY GRANT NASHVILLE, TN 37204	MKT & DVLMT MGR 40	35,640.	713.	38.
	TOTAL	<u>\$ 151,140.</u>	<u>\$ 3,023.</u>	<u>\$ 232.</u>

STATEMENT 11
 SCHEDULE A, PART IV-A, LINE 22
 OTHER INCOME

DESCRIPTION	(A) 2004	(B) 2003	(C) 2002	(D) 2001	(E) TOTAL
OTHER INCOME	\$ 16.	\$ 2,847.	\$ 7,306.	\$ 3,445.	\$ 13,614.
TOTAL	<u>\$ 16.</u>	<u>\$ 2,847.</u>	<u>\$ 7,306.</u>	<u>\$ 3,445.</u>	<u>\$ 13,614.</u>

FIRST STEPS, INC.

62-0674974

FORM 990, PART II, LINE 42
DEPRECIATION EXPENSE

PROPERTY AND EQUIPMENT ARE RECORDED AT COST OR, IF DONATED, AT THE ESTIMATED FAIR MARKET VALUE AS OF THE DATE OF DONATION. DEPRECIATION IS PROVIDED USING THE STRAIGHT-LINE BASIS OVER THE ESTIMATED USEFUL LIVES OF THE RESPECTIVE ASSETS, WHICH RANGE FROM TEN YEARS FOR BUILDING IMPROVEMENTS AND FURNITURE AND EQUIPMENT TO FIVE YEARS FOR VEHICLES. EXPENDITURES FOR REPAIRS AND MAINTENANCE ARE CHARGED TO EXPENSE AS INCURRED.