

**THE KING'S DAUGHTERS DAY HOME**  
**Financial Statements**  
**June 30, 2010**

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## Independent Auditors' Report

To the Board of Directors of  
The King's Daughters Day Home

We have audited the accompanying statements of financial position of The King's Daughters Day Home (a nonprofit organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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 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 The King's Daughters Day Home as of June 30, 2010 and 2009, 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.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements of support, revenues, and expenses – budget to actual on page 11 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 29, 2010

*Parker, Parker & Associates*

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Financial Position**  
**June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 60,897	\$ 37,630
Investments	282,879	303,522
Accounts Receivable - Fees, Less Allowance for Doubtful		
Accounts of \$0 in 2010 and 2009	894	994
Accounts Receivable - Government Assistance	10,141	7,129
Accounts Receivable - Other	85	225
Prepaid Expenses	2,149	1,841
Total Current Assets	<u>357,045</u>	<u>351,341</u>
<b>Property and Equipment</b>		
Building and Equipment	695,548	282,834
Accumulated Depreciation	(177,494)	(169,115)
Total Property and Equipment	<u>518,054</u>	<u>113,719</u>
 Total Assets	 <u><u>\$ 875,099</u></u>	 <u><u>\$ 465,060</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 7,903	\$ 3,405
Payroll Deductions Payable	3,647	358
Deferred Revenue	-	500
Total Current Liabilities	<u>11,550</u>	<u>4,263</u>
<b>Net Assets</b>		
Unrestricted Net Assets		
Board Designated	-	599
Undesignated	850,365	460,198
Total Unrestricted Net Assets	<u>850,365</u>	<u>460,797</u>
Temporarily Restricted Net Assets	<u>13,184</u>	<u>-</u>
Total Net Assets	<u>863,549</u>	<u>460,797</u>
 Total Liabilities and Net Assets	 <u><u>\$ 875,099</u></u>	 <u><u>\$ 465,060</u></u>

See notes to financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Activities**  
**For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Unrestricted Net Assets</b>		
<b>Public Support and Revenue</b>		
<b>Public Support:</b>		
Contributions	\$ 131,901	\$ 135,688
United Way	108,072	123,237
Government Fees and Grants	126,145	74,218
Other Grants	-	30,000
Fundraising Events	41,431	56,385
Donated Facilities	22,254	22,477
Donated Property, Equipment, Services, and Supplies	427,131	9,125
Total Public Support	<u>856,934</u>	<u>451,129</u>
<b>Revenue:</b>		
Program Service Fees	121,853	122,704
Interest and Dividend Income	14,722	20,777
Realized Gain on Investments	8	-
Unrealized Gain/(Loss) on Investments	18,907	(51,740)
Loss on Disposal of Equipment	(647)	(3,979)
Miscellaneous Income	-	5,510
Total Revenue	<u>154,843</u>	<u>93,272</u>
Total Public Support and Revenue	<u>1,011,777</u>	<u>544,401</u>
<b>Net Assets Released from Restrictions</b>		
Restrictions Satisfied by Payments	<u>11,856</u>	<u>-</u>
Total Public Support, Revenue and Reclassifications	<u>1,023,633</u>	<u>544,401</u>
<b>Expenses</b>		
Program Services	505,543	507,567
Management and General	110,418	105,101
Fundraising	18,104	33,528
Total Expenses	<u>634,065</u>	<u>646,196</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>389,568</u>	<u>(101,795)</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions	25,040	-
Net Assets Released from Restrictions	(11,856)	-
<b>Increase in Temporarily Restricted Net Assets</b>	<u>13,184</u>	<u>-</u>
<b>Increase (Decrease) in Net Assets</b>	402,752	(101,795)
<b>Net Assets - Beginning of Year</b>	<u>460,797</u>	<u>562,592</u>
<b>Net Assets - End of Year</b>	<u>\$ 863,549</u>	<u>\$ 460,797</u>

See notes to financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2010 and 2009**

	2010			2009		
	Supporting Services			Supporting Services		
	Program Services	Management and General	Fundraising	Program Services	Management and General	Fundraising
Center Development	\$ 3,395	\$ -	\$ -	\$ -	\$ -	\$ -
Communication	1,865	1,277	125	1,899	1,301	232
Conferences and Meetings	4,504	-	-	6,654	-	-
Depreciation	-	13,261	-	-	12,120	-
Employee Benefits	6,533	10,219	-	12,951	9,023	-
Fees and Licenses	282	368	-	282	368	-
Special Events	-	-	12,642	-	-	11,879
Insurance	12,406	196	-	-	167	-
Maintenance & Repairs	17,646	1,073	-	10,604	1,474	-
Dues & Subscriptions	272	163	-	15,395	-	-
Miscellaneous	1,335	1,309	-	3,072	1,832	-
Occupancy	22,254	-	-	550	223	-
Payroll Taxes	25,481	4,297	-	22,477	-	-
Printing	-	-	2,837	24,581	6,593	-
Professional Fees	-	-	2,500	-	196	282
Salaries	286,435	12,623	15,123	-	11,320	21,135
Supplies and General Expenses	63,929	57,265	-	303,103	53,146	-
Teacher Appreciation	118	8,348	-	53,789	7,337	-
Travel	260	-	-	73	-	-
United Way Grant Expenses	58,829	20	-	26	2	-
Totals	\$505,543	\$ 110,418	\$ 18,104	\$507,567	\$ 105,101	\$ 33,528
			\$ 634,065			\$ 646,196

See notes to the financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 402,752	\$ (101,795)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	13,261	12,120
Realized (Gain) on Investments	(8)	-
Unrealized (Gain)/Loss on Investments	(18,907)	51,740
Loss on Disposal of Equipment	647	3,979
Reinvested Dividends and Interest, Net of Fees	(12,336)	(20,573)
Donated Property and Equipment	(413,157)	(8,365)
Decrease in Accounts Receivable - Fees	100	-
Increase in Accounts Receivable - Government Assistance	(3,012)	(1,602)
(Increase) Decrease in Accounts Receivable - Other	140	(225)
(Increase) Decrease in Prepaid Items	(308)	4,929
Increase (Decrease) in Accounts Payable	4,498	(13,504)
Increase (Decrease) in Payroll Deductions Payable	3,289	(3,752)
Increase (Decrease) in Deferred Revenue	(500)	(21,350)
Total Adjustments	<u>(426,293)</u>	<u>3,397</u>
Net Cash Provided (Used) by Operating Activities	<u>(23,541)</u>	<u>(98,398)</u>
<b>Cash Flows from Investing Activities</b>		
Transfers from Investments	53,000	48,674
Payments for the Purchase of Property	(5,086)	(19,798)
Payments for the Purchase of Investments	(1,106)	-
Net Cash Provided by Investing Activities	<u>46,808</u>	<u>28,876</u>
<b>Net Increase (Decrease) in Cash</b>	23,267	(69,522)
<b>Cash - Beginning of Year</b>	37,630	107,152
<b>Cash - End of Year</b>	<u>\$ 60,897</u>	<u>\$ 37,630</u>

**Supplemental Cash Flow Disclosures:**

**Non-Cash Investing Transactions:**

Donated Property and Equipment	\$ 413,157	\$ -
Reinvested Dividends on Investments	\$ 12,336	\$ 20,573

See notes to financial statements.

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Organization and Nature of Activities**

The King's Daughters Day Home (the Day Home) is a United Way supported, nonprofit child care facility for working parents residing in the community of Madison, Tennessee. The children served are primarily from low income families who depend on public and private agencies to help with the cost of day care service. The Day Home's support comes from individual and corporate contributions, various government and foundation grants, and fees charged for providing child care services.

**B. Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**C. Financial Statement Presentation**

The net assets of the Day Home and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Day Home and/or the passage of time.

**D. Estimates**

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

**E. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Day Home defines cash and cash equivalents to include only cash on hand and amounts in banks. Money funds held with investment brokers are considered investments in the financial statements.

**F. Accounts Receivable**

Accounts receivable result from billings for tuition and fees. Accounts receivable is stated at the amount expected to be collected from outstanding balances. Management provides for probable uncollectible 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 accounts receivable.

**G. Accrued Compensated Absences**

Employees at the Day Home accrue ten sick days per year. All unused days carry forward to a maximum of 30 days. Employees with over 30 sick days at year-end are compensated for the excess. At termination of employment there is no compensation for any unused sick days. The Day Home does not consider the liability for accrued compensated absences to be material and, therefore has not recognized a liability at June 30, 2010 and 2009.

**H. Contributions**

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the organization reports the support as unrestricted. Otherwise, when a 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. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**Note 1. Summary of Significant Accounting Policies – Continued**

**H. Contributions- Continued**

those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**I. Income Taxes**

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**J. Functional Expenses**

Expenses are charged directly to program, management and general, or fundraising based on both specific identification and allocation by management.

**K. Investments**

Investments are stated at their readily determinable fair market value in accordance with the *Certain Investments Held by Not-for-Profit Organizations* topic of the FASB Accounting Standards Codification.

**L. Fair Value Measurements**

The Day Home determines the fair market value of financial assets and liabilities that are required to be carried at such amounts in accordance with the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification. Fair value is required to be evaluated and adjusted according to the following valuation techniques.

Level 1 – Fair value is determined using quoted market prices in active markets for identical assets and liabilities.

Level 2 – Fair value is determined using quoted market prices in active markets for similar assets and liabilities.

Level 3 – Fair value is determined using unobservable market prices in a market that is typically inactive.

**M. Property and Equipment**

Property, plant and equipment with cost greater than \$500 and useful lives greater than one year are carried at cost if purchased or fair market value if donated. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets as follows:

Building and Improvements	10 - 40 Years
Equipment	3 - 7 Years
Vehicles	5 Years

Depreciation expense for the years ending June 30, 2010 and 2009 was \$13,261 and \$12,120.

**Note 2. Investments**

The Organization holds investments in various short-term accounts. These investments are carried at the fair market value determined on June 30, 2010 and 2009, using quoted market prices. The various types of investments are listed below:

<u>2010</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain(Loss)</u>
Money Funds	\$ 47,829	\$ 47,829	\$ -
Mutual Funds	155,359	202,549	(47,189)
Corporate Bonds	79,690	75,180	4,510
	<u>\$ 282,879</u>	<u>\$ 325,558</u>	<u>\$ (42,679)</u>



**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**Note 2. Investments – Continued**

<u>2009</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain(Loss)</u>
Money Funds	\$ 64,531	\$ 64,531	\$ (0)
Mortgage Backed Securities	72,740	75,816	(3,076)
Mutual Funds	140,835	199,764	(58,929)
Corporate Bonds	25,417	24,998	419
	<u>\$ 303,522</u>	<u>\$ 365,108</u>	<u>\$ (61,586)</u>

**Note 3. Fair Value Measurements**

The following assets carried at fair value are reviewed and adjusted on a recurring basis based on quoted market prices. Fair value at June 30, 2010 and 2009 is as follows:

<u>Asset</u>	<u>Fair Value June 30, 2010</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 282,879	\$ 282,879

<u>Asset</u>	<u>Fair Value June 30, 2009</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 303,522	\$ 303,522

**Note 4. Restricted Net Assets**

Board Designated

Board designated net assets have been set aside for the purpose of teacher training. These funds are to be used for conferences and classes to further the development of the teaching staff.

Temporarily Restricted

Temporarily restricted net assets as of June 30, 2010 include the following:

Bike Track and Tricycles	\$ 4,109
Learning Centers	3,096
Fashion Show	5,000
Read to Succeed Program	979
Total Temporarily Restricted	<u>\$ 13,184</u>

**Note 5. Concentration of Risk**

The Day Home is exposed to concentrations of risk regarding grants received from the United Way and the Tennessee Department of Human Services (DHS). During the year ended June 30, 2010, the United Way grant represented 10% of total revenues and the DHS grant represented 12% of total revenues. For the year ended June 30, 2009 the United Way grant represented 21% of total revenues and the DHS grants represented 12% of total revenues.

At June 30, 2010 the Day Home's cash accounts did not exceed the Federal Deposit Insurance Corporation insurance coverage.

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2010 and 2009**

**Note 6. Donated Facilities, Services and Supplies**

The value of donated facilities and services included in the financial statements and the corresponding property and equipment and expenses for the years ended June 30, 2010 and 2009 are as follows. Refer to Note 9 for related party donations.

<b>Revenues:</b>		
	<b>2010</b>	<b>2009</b>
Donated Facilities	\$ 22,254	\$ 22,477
Building	378,222	-
Land	30,000	-
Donated Capital Items	4,935	8,365
Fundraising Events	3,375	-
Donated Services	250	210
Donated Administrative Expense	13,724	550
Total	<u>\$ 452,760</u>	<u>\$ 30,842</u>

  

<b>Property, Equipment and Expense:</b>		
	<b>2010</b>	<b>2009</b>
Occupancy	\$ 22,254	\$ 22,477
Building	378,222	-
Land	30,000	-
Improvements and Equipment	4,935	8,365
Professional Fees	250	510
Salaries	250	250
Silent Auction Items	3,375	-
Supplies and General Expenses	13,474	-
Total Expenditures	<u>\$ 452,760</u>	<u>\$ 30,842</u>

**Note 7. Leases**

The Day Home leases dishwashing equipment under a twenty-four month lease for a monthly lease payment of \$165. The lease expires in January 2011. The following is a schedule by year, of future year's minimum rental payments as of June 30, 2010:

<b>Year Ending June 30,</b>	<b>Annual Lease Payments</b>
2011	1,155
	<u>\$ 1,155</u>

Rental expense for the years ended June 30, 2010 and 2009 was \$2,235 and \$1,600.

**Note 8. Pension Plan**

The Day Home has a Simplified Employee Pension (SEP) Plan. Eligible employees must have worked two of the previous three years to be covered under the plan. For the years ended June 30, 2010 and 2009, \$0 and \$4,273 in contributions were made to the SEP plan.

**Note 9. Related Party**

The Davidson County Union of King's Daughters and Sons ("County Union") is a related entity that founded the Day Home. The County Union also owned the building and land in which the Day Home operates and donated the use of this facility until June 29, 2010. The County Union transferred title of the building and land to the Day Home on this date. The value of the donated use of facilities was \$22,254, and the fair market value of the donated building and

**The King's Daughters Day Home  
Notes to Financial Statements  
June 30, 2010 and 2009**

**Note 9. Related Party**

land was \$408,222. The County Union also made operating contributions of \$7,125 and \$11,559 for the years ended June 30, 2010 and 2009.

**Note 10. Subsequent Events**

The Day Home has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2010 through October 29, 2010, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.

## Supplementary Information

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Support, Revenue and Expenses - Budget to Actual**  
**For the Years Ended June 30, 2010 and 2009**

	2010			2009		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
<b>Support and Revenue</b>						
Contributions	\$ 156,941	\$ 245,000	\$ (88,059)	\$ 135,688	\$ 267,000	\$ (131,312)
United Way	108,072	108,000	72	123,237	108,000	15,237
Government Fees and Grants	126,145	73,000	53,145	74,218	48,000	26,218
Other Grants	-	-	-	30,000	-	30,000
Fundraising Events	41,431	32,500	8,931	56,385	36,500	19,885
Donated Facilities, Services & Supplies	449,385	22,254	427,131	31,602	22,254	9,348
Program Service Fees	121,853	135,000	(13,147)	122,704	144,180	(21,476)
Interest/Investment Income	14,722	6,000	8,722	20,777	6,000	14,777
Realized Gain on Investments	8	-	8	-	-	-
Unrealized Gain/(Loss) on Investments	18,907	-	18,907	(51,740)	-	(51,740)
Gain (Loss) on Disposal of Equipment	(647)	-	(647)	(3,979)	-	(3,979)
Miscellaneous Income	-	-	-	5,510	-	5,510
<b>Total Support and Revenue</b>	<b>1,036,817</b>	<b>621,754</b>	<b>415,062</b>	<b>544,401</b>	<b>631,934</b>	<b>(87,533)</b>
<b>Expenses</b>						
Center Development	3,395	14,018	10,623	-	-	-
Communication	3,267	7,300	4,033	3,432	4,460	1,028
Conferences and Meetings	4,504	3,500	(1,004)	6,654	-	(6,654)
Depreciation	13,261	-	(13,261)	12,120	-	(12,120)
Employee Benefits	16,752	20,000	3,248	21,974	24,500	2,526
Fees and Licenses	650	1,000	350	650	1,000	350
Special Events	12,642	-	(12,642)	11,879	-	(11,879)
Insurance	12,602	5,699	(6,903)	10,771	15,800	5,029
Maintenance & Repairs	18,718	15,300	(3,418)	16,869	10,750	(6,119)
Dues & Subscriptions	435	2,000	1,565	4,904	1,120	(3,784)
Miscellaneous	2,644	1,100	(1,544)	773	2,100	1,327
Occupancy	22,254	22,254	-	22,477	22,254	(223)
Payroll Taxes	29,778	35,418	5,640	31,174	29,477	(1,697)
Printing	2,837	500	(2,337)	478	1,200	722
Professional Fees	15,123	11,850	(3,273)	32,456	25,500	(6,956)
Salaries	343,700	349,468	5,768	356,249	368,552	12,303
Supplies and General Expenses	72,276	64,900	(7,376)	61,126	69,500	8,374
Teacher Appreciation	118	-	(118)	73	-	(73)
Travel	280	50	(230)	28	150	122
United Way Grant Expenses	58,829	62,531	3,702	52,111	53,990	1,879
<b>Total Expenses</b>	<b>634,065</b>	<b>616,888</b>	<b>(17,177)</b>	<b>646,196</b>	<b>630,353</b>	<b>(15,843)</b>
<b>Excess (Deficit) of Revenues over Expenses</b>	<b>\$ 402,752</b>	<b>\$ 4,866</b>	<b>\$ 397,885</b>	<b>\$ (101,795)</b>	<b>\$ 1,581</b>	<b>\$ (103,375)</b>

See independent auditors' report.