

**McNEILLY CENTER FOR CHILDREN, INC.  
AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2021**

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**McNEILLY CENTER FOR CHILDREN, INC.**  
**Roster of Board Members**  
**June 30, 2021**

Executive Board Directors

Adam Corey Jarvis, Chair  
Stephanie Grounder, Vice-Chair  
Sean O'Brien, Treasurer  
Mary Gordon, Secretary  
Stratton Huggins, Past Chair  
Alyssa Dituro, Executive Director

Directors

Becca Arnold  
Courtney Bach  
Tommy Bethel  
Diana Fassbender  
Alisha Haddock  
Olivia Huggins  
Mary Mayer  
Sherry McHale  
Cassie Renease Perkins  
Chris Puri  
Whitney Schickling  
Brooks Spellings  
Matt Woods



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Governmental Audit Quality Center | Private Companies Practice Section  
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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
McNeilly Center for Children, Inc.  
Nashville, TN

### **Report on the Financial Statements**

We have audited the accompanying financial statements of McNeilly Center for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of McNeilly Center for Children, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Cowart Reese Sargent, CPAs, P.C.  
Jackson, TN

February 28, 2022

**McNEILLY CENTER FOR CHILDREN, INC**  
**Statement of Financial Position**  
**June 30, 2021**

<u>ASSETS</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current Assets			
Cash & Cash Equivalents	\$ 1,216,479	\$ 67,768	\$ 1,284,247
Tuition Receivable	(3,910)	-	(3,910)
Allowance for Tuition Receivable	36	-	36
Accounts Receivable - Programs	99,064	-	99,064
Prepaid Expenses	51,623	-	51,623
Total Current Assets	1,363,292	67,768	1,431,060
Long Term Investments			
Certificates of Deposit	796,493	-	796,493
Community Foundation	157,419	-	157,419
	953,912	-	953,912
Property and Equipment - at cost			
Land	31,000	-	31,000
Building	1,073,575	-	1,073,575
Equipment	358,558	-	358,558
	1,463,133	-	1,463,133
Less Accumulated Depreciation	(1,161,375)	-	(1,161,375)
Net Fixed Assets	301,758	-	301,758
 TOTAL ASSETS	 \$ 2,618,962	 \$ 67,768	 \$ 2,686,730
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities			
Accounts Payable	\$ 16,272	\$ -	\$ 16,272
Accrued Salaries and Benefits	150,709	-	150,709
Unearned Grant Revenue	11,248	-	11,248
Total Current Liabilities	178,229	-	178,229
 TOTAL LIABILITIES	 178,229	 -	 178,229
Net Assets			
Net Assets - undesignated	2,283,314	67,768	2,351,082
Net Assets - designated	157,419	-	157,419
TOTAL NET ASSETS	2,440,733	67,768	2,508,501
 TOTAL LIABILITIES AND NET ASSETS	 \$ 2,618,962	 \$ 67,768	 \$ 2,686,730

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

**McNEILLY CENTER FOR CHILDREN, INC**  
**Statement of Activities**  
**For the Year Ended June 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b><u>SUPPORT &amp; REVENUE</u></b>			
USDA - Child Care Food Program	\$ 113,909	\$ -	\$ 113,909
DHS Revenues	1,293,551	-	1,293,551
United Way	373,378	-	373,378
Client Fee	44,008	-	44,008
Special Events and Other Fundraising	26,340	-	26,340
Grant Revenue	640,761	74,400	715,161
Gifts	18,535	-	18,535
Investment Income/(Loss) - Endowment (Net of Trust Fees \$1,309)	29,998	-	29,998
Interest Income	23,383	-	23,383
Miscellaneous Income	9,898	-	9,898
Net Assets Released via Satisfaction of donor restrictions	39,561	(39,561)	-
Total Support & Revenue	2,613,322	34,839	2,648,161
<b><u>EXPENSES</u></b>			
Program Services:			
Child Day Care	1,939,044	-	1,939,044
Supporting Services:			
Management and General	206,084	-	206,084
Fundraising	91,796	-	91,796
Total Expenses	2,236,924	-	2,236,924
Increase(Decrease) in Net Assets	376,398	34,839	411,237
Net Assets -			
Beginning of year	2,064,335	32,929	2,097,264
End of Year	\$ 2,440,733	\$ 67,768	\$ 2,508,501

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

**McNEILLY CENTER FOR CHILDREN, INC**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2021**

	PROGRAM SERVICES	SUPPORTING SERVICES			
	Child Day Care	Management & General	Fund Raising	Total	Total Expenses
Salaries	\$ 1,357,938	\$ 136,852	\$ 74,518	\$ 211,370	\$ 1,569,308
Fringe Benefits	176,612	16,551	6,914	23,465	200,077
Travel	399	686	-	686	1,085
Communication	3,362	514	514	1,028	4,390
Occupancy	138,035	6,477	577	7,054	145,089
Professional Services	9,174	38,460	2,648	41,108	50,282
Supplies	79,610	206	224	430	80,040
Repairs & Maintenance	12,304	-	-	-	12,304
Food Costs	112,809	-	-	-	112,809
Printing & Publications	1,405	-	372	372	1,777
Postage	14	283	-	283	297
Bad Debt Expense	-	-	-	-	-
Training & Meetings	8,422	3,999	-	3,999	12,421
Enrichment / Field Trips	9,315	-	-	-	9,315
Dues & Licenses	2,130	-	-	-	2,130
Minor Equipment Purchases	5,633	2,000	-	2,000	7,633
Depreciation Expense	21,882	-	-	-	21,882
Miscellaneous	-	56	6,029	6,085	6,085
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,939,044</u>	<u>\$ 206,084</u>	<u>\$ 91,796</u>	<u>\$ 297,880</u>	<u>\$ 2,236,924</u>

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



**McNEILLY CENTER FOR CHILDREN, INC**

**Statement of Cash Flows**

**For the Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Cash Flow from Operating Activities:			
Changes in net assets	\$ 376,398	\$ 34,839	\$ 411,237
Adjustments to reconcile change in net assets to net cash used by			
Operating activities:			
Depreciation	21,882	-	21,882
Unrealized (Gain)/Loss on investments	(27,547)	-	(27,547)
Bad debt expense	-	-	-
(Increase) Decrease in accounts and tuition receivable	63,816	-	63,816
(Increase) Decrease prepaid expenses	(47,487)	-	(47,487)
Increase (Decrease) in accounts payable	(1,975)	-	(1,975)
Increase (Decrease) in salaries and wages payable	8,638	-	8,638
Increase (Decrease) in unearned revenue	(5,444)	-	(5,444)
Net cash provided (used) by operating activities	<u>388,281</u>	<u>34,839</u>	<u>423,120</u>
Cash Flow from Investing Activities:			
Purchase of Investments	(27,856)	-	(27,856)
Proceeds from sales of investments	6,700	-	6,700
Purchase of property and equipment	-	-	-
Net cash provided (used) by investing activities	<u>(21,156)</u>	<u>-</u>	<u>(21,156)</u>
Net increase (decrease) in cash and cash equivalents	367,125	34,839	401,964
Cash and cash equivalents at beginning of year	<u>849,354</u>	<u>32,929</u>	<u>882,283</u>
Cash and cash equivalents at end of year	<u>\$ 1,216,479</u>	<u>\$ 67,768</u>	<u>\$ 1,284,247</u>
Supplemental Data:			
Interest paid	\$ -		

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

**McNEILLY CENTER FOR CHILDREN, INC.**  
**Notes to the Financial Statements**  
**June 30, 2021**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

McNeilly Center for Children, Inc. (the Organization) is a nonprofit organization, serving Nashville, Tennessee. The Organization provides day care services to working families, emphasizing a quality education and nutrition program for children ages six weeks to five years. The Organization receives a substantial amount of its support from the Tennessee Department of Human Services, Child and Adult Care Food Program, and Head Start.

**Financial Statement Presentation**

Financial Statements of the Organization are presented on the accrual basis of accounting in accordance with generally accepted accounting principles for non-profit organizations.

The Organization has adopted FASB ASC 958-210. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. In addition, the Organization is required to present a statement of functional expenses and a statement of cash flows. As permitted by the statement, the Organization does not use fund accounting.

Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and change therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or may not be met either by actions of the Organization and/or the passage of time. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

State grants and other revenues which are restricted for the stated uses by the Organization are reported as revenue without donor restrictions when these funds are received and spent during the same year as permitted by ASC 958-210.

**Support and Revenue**

Contributions received are recorded as without or with donor restrictions, depending on the existence or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets in the period received.

All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Contributions for which the donor's restrictions are met in the same period in which the gift is received are reported as support without donor restrictions.

Program service revenue and other revenue is recognized when earned (i.e. upon completion of day care services for program service revenue).

**Investments – Board Designated Endowment**

The Organization has adopted an investment policy for board designated Endowment funds. The policy attempts to maximize total return consistent with an acceptable level of risk. The Organization has adopted the investment provisions of ASC 958 Not-for-Profit Entities. Under ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**McNEILLY CENTER FOR CHILDREN, INC.**  
**Notes to the Financial Statements**  
**June 30, 2021**

**1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Investments – Board Designated Endowment (continued)**

As of June 30, 2021, the Board of Directors had designated \$157,419 of net assets without donor restriction as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. Per the contract with the fiduciary, up to 5% of the fund is able to be spent annually.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Accounts Receivable**

Accounts receivable are stated at unpaid balances of fees for services rendered, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of parents to meet their obligations. Receivables are considered impaired and written off if payments are not received in accordance with the contractual terms.

**Property and Equipment**

It is the Organization's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method; buildings over an estimated useful life of forty years, equipment, furniture and fixtures over an estimated useful life of five to ten years.

**Long-lived Assets**

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount and fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

**Income Taxes**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation.

**Functional Expenses**

The Organization has allocated functional expenses between Program Services and Supporting Services based on an analysis of personnel time and space utilized for the related activities.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Because of the inherent uncertainties in estimating, it is at least reasonably possible that the estimates used will change within the near term. Accordingly, actual results could differ from those estimates.

**McNEILLY CENTER FOR CHILDREN, INC.**  
**Notes to the Financial Statements**  
**June 30, 2021**

**2. FUNDING**

The Organization receives a substantial amount of its support from the Tennessee Department of Human Services, Child and Adult Care Food Program, and Head Start. A major reduction of funds by the grantor agencies, should this occur, may have a significant effect on future operations. Additionally, a majority of the Organization's receivables are from these sources. Management is not aware of any planned changes in the level of funding.

**3. ACCOUNTS RECEIVABLE - PROGRAM**

At June 30, 2021, accounts receivable from the following agencies were as follows:

DHS	\$ 82,663
CACFP	10,636
FEP Grant	5,765
Total	<u>\$ 99,064</u>

**4. FIXED ASSETS**

The following changes in fixed assets occurred during the period July 1, 2020, through June 30, 2021:

	Balance on June 30, 2020	Additions	Deletions	Balance on June 30, 2021
Land	31,000	\$ -	\$ -	\$ 31,000
Buildings and Improvements	1,073,575	-	-	1,073,575
Equipment	358,558	-	-	358,558
Total	1,463,133	-	-	1,463,133
Accumulated Depreciation	(1,139,493)	(21,882)	-	(1,161,375)
Total Net Fixed Assets	<u>\$ 323,640</u>			<u>\$ 301,758</u>

**5. LONG-TERM INVESTMENTS**

Investment assets consist partially of securities held by The Community Foundation of Middle Tennessee. The investments are subject to market risk and thusly could lose some or all of their value. Securities measured at fair value using Level 1 inputs, which are quoted prices in an active market. The historical costs and market (fair) values of the securities at June 30, 2021, are as follows:

	Cost	Market Value	Unrealized Appreciation (Depreciation)
Community Foundation Account	\$ 114,458	\$ 157,419	\$ 42,961
Total	<u>\$ 114,458</u>	<u>\$ 157,419</u>	<u>\$ 42,961</u>

The following schedule summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2021:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Community Foundation Account	<u>\$ 157,419</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,419</u>

**McNEILLY CENTER FOR CHILDREN, INC.**  
**Notes to the Financial Statements**  
**June 30, 2021**

**5. LONG-TERM INVESTMENTS (CONTINUED)**

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2021:

	Without Donor Restrictions - Board Designated
Interest & Dividend Income	\$ 3,333
Net Realized & Unrealized Gains (Losses)	27,547
Investment Fees	(882)
Total	<u>\$ 29,998</u>

Changes in Endowment (Board Designated) net assets as of June 30, 2021, are as follows:

	Amount
Endowment net assets, beginning of year	\$ 134,121
Contribution	-
Investment Return (see above)	29,998
Withdrawals	(6,700)
Endowment net assets, end of year	<u>\$ 157,419</u>

Long-term investments also consist of Certificates of Deposit (CDs). These CDs have interest rates ranging from 0.249% to 3.21%, and maturity dates ranging from March 14, 2022 to November 14, 2023. The balance of these CDs at June 30, 2021 (including accrued interest income) was \$796,493.

**6. COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation depending on length of service. The Organization advances vacation leave to employees at the beginning of each fiscal year on July 1. Unused vacation leave can be carried forward past the Organization's fiscal year end June 30. Therefore, \$55,625 of vacation leave was due to employees at June 30, 2021. Accordingly, a liability has been recorded. This amount is included in the accrual for salaries and benefits in current liabilities.

**7. PENSION PLANS**

The agency adopted a thrift pension plan under section 403(b) of the Internal Revenue Code with an effective date of January 1, 1994. Eligible employees may make voluntary contributions to the plan subject to Internal Revenue Service limitations. The Organization may make discretionary contributions to the plan for eligible employees.

Amounts contributed by the Organization to the plan for the year ended June 30, 2021 was \$8,513.

**8. SPECIAL EVENTS**

Due to the COVID-19 pandemic, the Organization did not host its two main fundraising events this year.

**McNEILLY CENTER FOR CHILDREN, INC.**  
**Notes to the Financial Statements**  
**June 30, 2021**

**9. CONCENTRATION OF CREDIT RISK**

The Organization maintains cash balances and certificates of deposit at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. As of June 30, 2021, the uninsured balance is \$1,034,247. The Organization believes it is not exposed to any significant credit risk on its cash balances.

**10. PAYCHECK PROTECTION PROGRAM**

In February 2021 an unsecured note payable was issued to the Organization for \$359,365. This was issued through Renasant Bank; however, this is a federal SBA loan issued as a result of the second round of the Paycheck Protection Program in response to the COVID-19 pandemic. The interest rate is listed as 1% and the loan matures two years after its issuance. The loan payments are deferred for six months. No collateral was required and no fees were charged to the Organization upon the issuance of the note. Because the conditions have been met for forgiveness, this is considered to be a conditional contribution that resulted in the recognition of the revenue in the current year. The amount is included in Grant Revenue.

**Subsequent event:** The Organization was notified On August 18, 2021, that the SBA had forgiven the loan to the Organization.

**11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The following reflects the Organization's financial assets as of June 30, 2021, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Cash and Cash Equivalents	\$ 1,284,247
Accounts Receivable - Programs	99,064
Total	1,383,311
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	(67,768)
Financial assets available to meet cash needs for general expenditures within one year.	<u>\$ 1,315,543</u>

As of June 30, 2021, \$67,768 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$451,824. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition to the current assets in the table above, the Organization could access the certificates of deposit mentioned in Note 5.

**12. SUBSEQUENT EVENTS**

Management of the Organization has evaluated subsequent events through February 28, 2022, the date which the financial statements were available to be issued.

- END OF NOTES -

**McNEILLY CENTER FOR CHILDREN, INC.**  
**Schedule of Findings and Responses**  
**For the year ending June 30, 2021**

Financial Statement Findings

No current year findings noted

**McNEILLY CENTER FOR CHILDREN, INC.**  
**Schedule of Prior Year Findings**  
**For the year ending June 30, 2021**

Prior Year Findings

None noted