

**FANNIE BATTLE DAY HOME FOR  
CHILDREN, INC. AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2015 and 2014**

**FANNIE BATTLE DAY HOME FOR  
CHILDREN, INC. AND AFFILIATE**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Fannie Battle Day Home for Children, Inc. and Affiliate  
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Fannie Battle Day Home for Children, Inc. and Affiliate (a nonprofit organization) which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fannie Battle Day Home for Children, Inc. and Affiliate as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 18 through 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Frasier, Ben & Harold, PLLC*

November 3, 2015

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 42,936	\$ 6,732
Investments	94,580	192,026
Accounts and contributions receivable	110,023	155,534
Prepaid expenses	7,114	20,545
Total current assets	<u>254,653</u>	<u>374,837</u>
Property and equipment:		
Land	178,000	178,000
Buildings	1,354,498	1,354,498
Equipment	135,681	135,681
Playground	120,110	120,110
	<u>1,788,289</u>	<u>1,788,289</u>
Less: accumulated depreciation	<u>(243,577)</u>	<u>(195,633)</u>
Property and equipment, net	<u>1,544,712</u>	<u>1,592,656</u>
Investments designated for endowment	<u>773,212</u>	<u>787,513</u>
Total assets	<u><u>\$ 2,572,577</u></u>	<u><u>\$ 2,755,006</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 16,728	\$ 15,636
Accrued expenses	21,387	5,436
Note payable	96,706	-
Total current liabilities	<u>134,821</u>	<u>21,072</u>
Noncurrent liabilities:		
Note payable	<u>-</u>	<u>111,706</u>
Total liabilities	<u>134,821</u>	<u>132,778</u>
Net assets:		
Board designated	776,143	789,262
Other unrestricted	1,601,587	1,794,126
Total unrestricted	<u>2,377,730</u>	<u>2,583,388</u>
Temporarily restricted	60,026	38,840
Total net assets	<u>2,437,756</u>	<u>2,622,228</u>
Total liabilities and net assets	<u><u>\$ 2,572,577</u></u>	<u><u>\$ 2,755,006</u></u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Contributions	\$ 163,315	\$ 60,261	\$ 223,576
Membership fund-raising activities	121,235	-	121,235
Capital campaign contributions	11,823	-	11,823
	<u>296,373</u>	<u>60,261</u>	<u>356,634</u>
Total public support			
Revenues:			
Day home fees	390,468	-	390,468
Grants	169,200	-	169,200
DHS food subsidies	53,325	-	53,325
Parking lot lease	12,358	-	12,358
Investment return, net	(6,298)	-	(6,298)
Miscellaneous	250	-	250
	<u>619,303</u>	<u>-</u>	<u>619,303</u>
Total revenues			
Net assets released from restrictions	39,075	(39,075)	-
	<u>954,751</u>	<u>21,186</u>	<u>975,937</u>
Total public support and revenues			
Expenses:			
Program services	949,546	-	949,546
Supporting services	210,863	-	210,863
	<u>1,160,409</u>	<u>-</u>	<u>1,160,409</u>
Total expenses			
Change in net assets	(205,658)	21,186	(184,472)
Net assets - beginning of year	2,583,388	38,840	2,622,228
Net assets - end of year	<u>\$ 2,377,730</u>	<u>\$ 60,026</u>	<u>\$ 2,437,756</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Contributions	\$ 200,313	\$ 38,840	\$ 239,153
Membership fund-raising activities	114,727	-	114,727
Capital campaign contributions	122,411	-	122,411
	<u>437,451</u>	<u>38,840</u>	<u>476,291</u>
Total public support			
Revenues:			
Day home fees	353,320	-	353,320
Grants	253,844	-	253,844
DHS food subsidies	63,848	-	63,848
Investment return, net	103,025	-	103,025
	<u>774,037</u>	<u>-</u>	<u>774,037</u>
Total revenues			
Net assets released from restrictions	<u>50,990</u>	<u>(50,990)</u>	<u>-</u>
Total public support and revenues	<u>1,262,478</u>	<u>(12,150)</u>	<u>1,250,328</u>
Expenses:			
Program services	878,824	-	878,824
Supporting services	217,176	-	217,176
	<u>1,096,000</u>	<u>-</u>	<u>1,096,000</u>
Total expenses			
Change in net assets	166,478	(12,150)	154,328
Net assets - beginning of year	<u>2,416,910</u>	<u>50,990</u>	<u>2,467,900</u>
Net assets - end of year	<u>\$ 2,583,388</u>	<u>\$ 38,840</u>	<u>\$ 2,622,228</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2015**

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 596,594	\$ 53,371	\$ 55,872	\$ 109,243	\$ 705,837
Repairs and maintenance	67,367	-	-	-	67,367
Groceries	54,703	-	-	-	54,703
Payroll taxes	41,657	4,083	4,274	8,357	50,014
Legal and professional fees	-	-	36,353	36,353	36,353
Insurance	30,192	-	1,843	1,843	32,035
Utilities	30,446	-	-	-	30,446
Employee benefits	25,544	2,432	2,432	4,864	30,408
Children's enrichment	27,534	-	-	-	27,534
Advertising and other fundraising	-	18,353	-	18,353	18,353
Office supplies and expenses	-	-	10,752	10,752	10,752
Classroom expenses	8,973	-	-	-	8,973
Printing and technology	-	-	8,587	8,587	8,587
Bad debt expense	7,276	-	-	-	7,276
Credit card fees	-	-	5,110	5,110	5,110
Permits and memberships	-	-	4,445	4,445	4,445
Teacher and family education	4,337	-	-	-	4,337
Miscellaneous	3,587	-	-	-	3,587
Auto expense	3,392	-	-	-	3,392
Interest	-	-	2,956	2,956	2,956
	901,602	78,239	132,624	210,863	1,112,465
Depreciation	47,944	-	-	-	47,944
Total	\$ 949,546	\$ 78,239	\$ 132,624	\$ 210,863	\$ 1,160,409

See accompanying notes.



**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2014**

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 501,992	\$ 61,307	\$ 64,956	\$ 126,263	\$ 628,255
Repairs and maintenance	92,305	-	-	-	92,305
Groceries	58,343	-	-	-	58,343
Payroll taxes	34,181	4,690	4,969	9,659	43,840
Utilities	35,621	-	-	-	35,621
Legal and professional fees	-	-	32,054	32,054	32,054
Children's enrichment	28,549	-	-	-	28,549
Insurance	24,554	-	1,843	1,843	26,397
Employee benefits	18,614	2,273	2,408	4,681	23,295
Advertising and other fundraising	-	20,230	-	20,230	20,230
Classroom expenses	10,357	-	-	-	10,357
Teacher and family education	9,952	-	-	-	9,952
Office supplies and expenses	-	-	7,714	7,714	7,714
Miscellaneous	7,488	-	-	-	7,488
Auto expense	7,256	-	-	-	7,256
Interest	-	-	4,663	4,663	4,663
Printing	-	-	3,935	3,935	3,935
Credit card fees	-	-	3,637	3,637	3,637
Security	2,600	-	-	-	2,600
Postage	-	-	2,497	2,497	2,497
	<u>831,812</u>	<u>88,500</u>	<u>128,676</u>	<u>217,176</u>	<u>1,048,988</u>
Depreciation	47,012	-	-	-	47,012
Total	<u>\$ 878,824</u>	<u>\$ 88,500</u>	<u>\$ 128,676</u>	<u>\$ 217,176</u>	<u>\$ 1,096,000</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Change in net assets	\$ (184,472)	\$ 154,328
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long-term purposes	-	(100,000)
Contribution of investments	(2,754)	(12,120)
Depreciation	47,944	47,012
Realized and unrealized gain or loss on investments, net	53,892	(85,887)
Changes in operating assets and liabilities:		
Accounts and contributions receivable	45,511	(33,824)
Prepaid expenses	13,431	(679)
Accounts payable	1,092	(6,640)
Accrued expenses	15,951	(34)
Net cash used in operating activities	<u>(9,405)</u>	<u>(37,844)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	585,116	518,991
Purchase of investments	(524,507)	(495,099)
Purchase of property and equipment	-	(13,727)
Net cash provided by investing activities	<u>60,609</u>	<u>10,165</u>
Cash flows from financing activities:		
Principal payments on note payable	(15,000)	(138,366)
Contributions restricted for long-term purposes	-	100,000
Net cash used in financing activities	<u>(15,000)</u>	<u>(38,366)</u>
Net increase (decrease) in cash and cash equivalents	36,204	(66,045)
Cash and cash equivalents - beginning of year	6,732	72,777
Cash and cash equivalents - end of year	<u>\$ 42,936</u>	<u>\$ 6,732</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 2,956</u>	<u>\$ 4,663</u>
Supplemental schedule of noncash investing and financing activities:		
Contributed investments	<u>\$ 2,754</u>	<u>\$ 12,120</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Fannie Battle Day Home for Children, Inc. and Affiliate (the “Organization”) is a not-for-profit corporation that maintains and operates a day home for the instruction and care of children of working parents and/or parents pursuing an education.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Fannie Battle Day Home for Children, Inc. and its affiliated supporting organization, Fannie Battle Day Home Endowment Fund, Inc. All significant inter-entity transactions and balances have been eliminated in consolidation.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent during the same fiscal year.

**Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Promises to Give**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments**

In accordance with accounting principles generally accepted in the United States of America, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities.

**Fair Values**

The Organization has an established process for determining fair values. Fair values are based upon quoted market prices, where available. If listed prices or quotes are not available, fair values are based upon internally developed models or processes that use primarily market-based or independently-sourced market data. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

*Level 1* – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2* – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3* – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments are reported at fair value as reported by the respective funds using quoted market prices. Certificates of deposit are reported at cost which approximates fair market value. No changes in the valuation methodologies have been made during the period from July 1, 2013 through June 30, 2015.

**Receivables**

Accounts and contributions receivable are expected to be received within the coming fiscal year. Accounts and contributions receivable are reviewed periodically as to their collectability. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2015 and 2014.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Tax Status**

The Organization and its affiliated supporting organization are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code, and are classified as organizations that are not private foundations as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance concerning the accounting for income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization does not believe there are any uncertain tax positions at June 30, 2015 and 2014. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying consolidated financial statements. Federal tax years that remain open for examination include the years ended June 30, 2012 through June 30, 2015.

**Endowment Funds**

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds, a description of the organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization’s endowment investment policies, and additional disclosures.

**Functional Allocation of Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

The Organization evaluated subsequent events through November 3, 2015, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

**NOTE 2 – DHS SUBSIDIES**

The Organization receives monthly subsidies under the Department of Human Services (“DHS”) Food Nutrition and Child Assistance Programs. For the years ended June 30, 2015 and 2014, the Organization received \$113,520 and \$142,564 in subsidies, respectively, which are included in the accompanying consolidated statements of activities in DHS food subsidies and day home fees. The Organization intends to reapply to DHS for continuation of the subsidies when the current contracts expire. At June 30, 2015 and 2014, there was a subsidy receivable of \$17,910 and \$20,000, respectively. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the Organization’s programs and services.

**NOTE 3 – INVESTMENTS**

The following table sets forth the Organization’s major categories of assets measured at fair value on a recurring basis, with fair value determined based on active markets (Level 1), as of June 30:

	<u><b>2015</b></u>	<u><b>2014</b></u>
Corporate debt securities	\$ 190,536	\$ 13,260
Equity funds	660,749	966,279
Cash equivalents	<u>16,507</u>	<u>-</u>
	<u><u><b>\$ 867,792</b></u></u>	<u><u><b>\$ 979,539</b></u></u>

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30 2015 and 2014**

**NOTE 3 – INVESTMENTS (Continued)**

The following schedule summarizes the investment return for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 47,594	\$ 17,138
Realized and unrealized (losses) gains, net	<u>(53,892)</u>	<u>85,887</u>
	<u>\$ (6,298)</u>	<u>\$ 103,025</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

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 forty years for buildings to three years for equipment. Expenditures for repairs and maintenance are charged to expense as incurred.

**NOTE 5 – NOTE PAYABLE**

In 2013, the Organization entered into a note payable with a bank. Payments of interest only at a fixed rate of 2.90% are due monthly beginning in April 2013, with any outstanding principal and interest due on March 21, 2016. The arrangement is collateralized by the endowment investment account and a commercial pledge agreement. Borrowings under this arrangement were \$96,706 and \$111,706 at June 30, 2015 and 2014, respectively.

Following is a summary of future principal maturities under the note payable agreement:

<u>Years ending June 30,</u>	
2016	\$ 96,706
2017	-
2018	-
2019	-
2020	<u>-</u>
Long-term obligations	<u>\$ 96,706</u>

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30 2015 and 2014**

**NOTE 6 – ENDOWMENT FUND**

The Fannie Battle Day Home Endowment Fund, Inc. (“Endowment”) was established effective May 16, 2001. Endowment was established as a separate 501(c)(3) entity to assist management of the Organization in the exercise of its fiduciary duty related to board designated endowment investments. The financial statements of Endowment are consolidated with those of the Organization in the accompanying consolidated financial statements, as the Organization controls Endowment through the appointment of its board of directors. Net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The board of directors has interpreted the UPMIFA as requiring that the Organization classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to any permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Endowment Net Asset Composition by Type of Fund as of June 30, 2015:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Board designated endowment funds	\$ 776,143	\$ -	\$ -	\$ 776,143

**Changes in Endowment Net Assets for the Year Ended June 30, 2015:**

Endowment net assets, beginning of year	\$ 789,262	\$ -	\$ -	\$ 789,262
Withdrawals	(10,167)	-	-	(10,167)
Investment return: Net depreciation (realized and unrealized)	(2,952)	-	-	(2,952)
Endowment net assets, end of year	\$ 776,143	\$ -	\$ -	\$ 776,143



**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30 2015 and 2014**

**NOTE 6 – ENDOWMENT FUND (Continued)**

**Endowment Net Asset Composition by Type of Fund as of June 30, 2014:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Board designated endowment funds	\$ 789,262	\$ -	\$ -	\$ 789,262

**Changes in Endowment Net Assets for the Year Ended June 30, 2014:**

Endowment net assets, beginning of year	\$ 715,387	\$ -	\$ -	\$ 715,387
Withdrawals	(13,294)	-	-	(13,294)
Investment return: Net appreciation (realized and unrealized)	<u>87,169</u>	<u>-</u>	<u>-</u>	<u>87,169</u>
Endowment net assets, end of year	<u>\$ 789,262</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 789,262</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are to be invested primarily in equities, fixed income investments and cash securities. However, neither equities by themselves, nor fixed income investments by themselves should exceed 75% of the investment balance.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating, no more often than quarterly, dividend and interest income from the endowment fund.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30 2015 and 2014**

**NOTE 7 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u>2015</u>	<u>2014</u>
Operating resources in next fiscal year	\$ 45,261	\$ 38,840
Security and camera system	10,000	-
Scholarships for child care fees	<u>4,765</u>	<u>-</u>
	<u>\$ 60,026</u>	<u>\$ 38,840</u>

Board designated net assets are available for the following purpose at June 30:

	<u>2015</u>	<u>2014</u>
Board designated endowment fund	<u>\$ 776,143</u>	<u>\$ 789,262</u>

**NOTE 8 – CONCENTRATIONS**

Cash and investments include funds deposited in federally insured bank accounts. Balances on deposit may at times exceed federally insured limits.

**NOTE 9 – EMPLOYEE BENEFIT PLAN**

The Organization has a 401(k) profit sharing plan covering all employees who are at least 21 years old and have completed the eligibility requirements. Employees may defer a portion of their compensation into the plan in accordance with the plan document. The Organization's contribution to the plan is determined annually by the board of directors. The Organization did not contribute to the plan during the years ended June 30, 2015 and 2014.

**NOTE 10 – CONTRIBUTED SERVICES**

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the consolidated statements of activities because the criteria for recognition under generally accepted accounting principles has not been satisfied.

**NOTE 11 – COMMITMENTS AND CONTINGENCIES**

The Organization is periodically subject to legal actions which arise in the course of business. Management is unable to predict the ultimate outcome of such litigation but does not believe an ultimate liability with respect to such litigation will be material to the consolidated operating results or consolidated financial position of the Organization. As a result, no accrual for any liability is included in the consolidated financial statements.

## **SUPPLEMENTAL INFORMATION**

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2015**

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 40,005	\$ 2,931	\$ 42,936
Investments	94,580	-	94,580
Accounts and contributions receivable	110,023	-	110,023
Prepaid expenses	7,114	-	7,114
Total current assets	<u>251,722</u>	<u>2,931</u>	<u>254,653</u>
Property and equipment:			
Land	178,000	-	178,000
Buildings	1,354,498	-	1,354,498
Equipment	135,681	-	135,681
Playground	120,110	-	120,110
	1,788,289	-	1,788,289
Less: accumulated depreciation	<u>(243,577)</u>	<u>-</u>	<u>(243,577)</u>
Property and equipment, net	<u>1,544,712</u>	<u>-</u>	<u>1,544,712</u>
Investments designated for endowment	<u>-</u>	<u>773,212</u>	<u>773,212</u>
Total assets	<u>\$ 1,796,434</u>	<u>\$ 776,143</u>	<u>\$ 2,572,577</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable	\$ 16,728	\$ -	\$ 16,728
Accrued expenses	21,387	-	21,387
Note payable	96,706	-	96,706
Total current liabilities	<u>134,821</u>	<u>-</u>	<u>134,821</u>
Net assets:			
Board designated	-	776,143	776,143
Other unrestricted	1,601,587	-	1,601,587
Total unrestricted	1,601,587	776,143	2,377,730
Temporarily restricted	60,026	-	60,026
Total net assets	<u>1,661,613</u>	<u>776,143</u>	<u>2,437,756</u>
Total liabilities and net assets	<u>\$ 1,796,434</u>	<u>\$ 776,143</u>	<u>\$ 2,572,577</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public support and revenues:				
Public support:				
Contributions	\$ 233,743	\$ -	\$ (10,167)	\$ 223,576
Membership fund-raising activities	121,235	-	-	121,235
Capital campaign contributions	11,823	-	-	11,823
	<u>366,801</u>	<u>-</u>	<u>(10,167)</u>	<u>356,634</u>
Total public support				
Revenues:				
Day home fees	390,468	-	-	390,468
Grants	169,200	-	-	169,200
DHS food subsidies	53,325	-	-	53,325
Parking lot lease	12,358	-	-	12,358
Investment return, net	(3,346)	(2,952)	-	(6,298)
Miscellaneous	250	-	-	250
	<u>622,255</u>	<u>(2,952)</u>	<u>-</u>	<u>619,303</u>
Total revenues				
Total public support and revenues	<u>989,056</u>	<u>(2,952)</u>	<u>(10,167)</u>	<u>975,937</u>
Expenses:				
Contributions to day home	-	10,167	(10,167)	-
Program services	949,546	-	-	949,546
Supporting services	210,863	-	-	210,863
	<u>1,160,409</u>	<u>10,167</u>	<u>(10,167)</u>	<u>1,160,409</u>
Total expenses				
Change in net assets	<u>\$ (171,353)</u>	<u>\$ (13,119)</u>	<u>\$ -</u>	<u>\$ (184,472)</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2014**

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 4,983	\$ 1,749	\$ 6,732
Investments	192,026	-	192,026
Accounts and contributions receivable	155,534	-	155,534
Prepaid expenses	20,545	-	20,545
Total current assets	<u>373,088</u>	<u>1,749</u>	<u>374,837</u>
Property and equipment:			
Land	178,000	-	178,000
Buildings	1,354,498	-	1,354,498
Equipment	135,681	-	135,681
Playground	120,110	-	120,110
	<u>1,788,289</u>	<u>-</u>	<u>1,788,289</u>
Less: accumulated depreciation	(195,633)	-	(195,633)
Property and equipment, net	<u>1,592,656</u>	<u>-</u>	<u>1,592,656</u>
Investments designated for endowment	<u>-</u>	<u>787,513</u>	<u>787,513</u>
Total assets	<u>\$ 1,965,744</u>	<u>\$ 789,262</u>	<u>\$ 2,755,006</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable	\$ 15,636	\$ -	\$ 15,636
Accrued expenses	5,436	-	5,436
Total current liabilities	<u>21,072</u>	<u>-</u>	<u>21,072</u>
Noncurrent liabilities:			
Note payable	111,706	-	111,706
Total liabilities	<u>132,778</u>	<u>-</u>	<u>132,778</u>
Net assets:			
Board designated	-	789,262	789,262
Other unrestricted	1,794,126	-	1,794,126
Total unrestricted	<u>1,794,126</u>	<u>789,262</u>	<u>2,583,388</u>
Temporarily restricted	38,840	-	38,840
Total net assets	<u>1,832,966</u>	<u>789,262</u>	<u>2,622,228</u>
Total liabilities and net assets	<u>\$ 1,965,744</u>	<u>\$ 789,262</u>	<u>\$ 2,755,006</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

	<b>Organization</b>	<b>Endowment</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
Public support and revenues:				
Public support:				
Contributions	\$ 252,447	\$ -	\$ (13,294)	\$ 239,153
Membership fund-raising activities	114,727	-	-	114,727
Capital campaign contributions	122,411	-	-	122,411
Total public support	489,585	-	(13,294)	476,291
Revenues:				
Day home fees	353,320	-	-	353,320
Grants	253,844	-	-	253,844
DHS food subsidies	63,848	-	-	63,848
Investment return, net	15,856	87,169	-	103,025
Total revenues	686,868	87,169	-	774,037
Total public support and revenues	1,176,453	87,169	(13,294)	1,250,328
Expenses:				
Contributions to day home	-	13,294	(13,294)	-
Program services	878,824	-	-	878,824
Supporting services	217,176	-	-	217,176
Total expenses	1,096,000	13,294	(13,294)	1,096,000
Change in net assets	\$ 80,453	\$ 73,875	\$ -	\$ 154,328

See accompanying notes.