McNEILLY CENTER FOR CHILDREN, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2015

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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, 2015, 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.

Auditor's 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 and those applicable to audits performed under *Government Auditing Standards* issued by the Comptroller General of the United States. 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.

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, 2015, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015 on our consideration of the McNeilly Center's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNeilly Center for Children, Inc.'s internal control over financial reporting and compliance.

Cowart Reese Sargent

Cowart Reese Sargent
Certified Public Accountants, P.C.
Jackson, TN

November 10, 2015

McNEILLY CENTER FOR CHILDREN, INC
(A not-for-profit organization)
Statement of Financial Position
June 30, 2015
(See Independent Auditors' Report)

	OPERATIONS		ENDOWMENT	
ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Current Assets:				
Cash & Temporary Cash Investments (Notes 1 & 5)	$ 119,534	$ 62,559	$ -	$ 182,093
Tuition Receivable - Program Receivables	7,377	-	-	7,377
Accounts Receivable, net of allowance	110,896	-	-	110,896
Prepaid Expenses	5,933	-	-	5,933
Total Current Assets	243,740	62,559	-	306,299
Long Term Investments (Note 5)	-	-	137,337	137,337
Property and equipment - At cost (Note 1 & 4)				
Land	65,589	-	-	65,589
Building	1,402,590	-	-	1,402,590
Equipment	523,216	-	-	523,216
	1,991,395	-	-	1,991,395
Less accumulated depreciation	(1,312,938)	-	-	(1,312,938)
Net Fixed Assets	678,457	-	-	678,457
TOTAL ASSETS	922,197	62,559	137,337	1,122,093
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts Payable	31,491	-	-	31,491
Accrued Salaries and Benefits	109,465	-	-	109,465
Unearned Grant Revenue	12,041	-	-	12,041
Line of Credit	60,000	-	-	60,000
Total Current Liabilities	212,997	-	-	212,997
Long Term Liabilities:				
Total Long Term Liabilities	-	-	-	-
TOTAL LIABILITIES	212,997	-	-	212,997
	-		-	
Net Assets				
Net Assets - undesignated	709,200	62,559	137,337	909,096
Net Assets - designated	-	-	-	-
TOTAL NET ASSETS	709,200	62,559	137,337	909,096
TOTAL LIABILITIES AND NET ASSETS	$ 922,197	$ 62,559	$ 137,337	$ 1,122,093

The accompanying notes are an integral part of the financial statements

McNEILLY CENTER FOR CHILDREN, INC
(A not-for-profit organization)
Statement of Activities
For the Year Ended June 30, 2015
(See Independent Auditors' Report)

	OPERATIONS		ENDOWMENT	
PUBLIC SUPPORT & REVENUE	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
U.S. Dept. of Agriculture, passed through Tenn. Dept. of Human Services:				
Child Care Food Program	$ 290,737	$ -	$ -	$ 290,737
DHS Revenues	323,729	-	-	323,729
United Way	374,105	-	-	374,105
Client Fee	604,281	-	-	604,281
Special Events and Other Fund Raising	77,509	-	-	77,509
Grant Revenue	353,325	61,190	-	414,515
Gifts	11,284	-	-	11,284
HeadStart	258,911	-	-	258,911
Early HeadStart	490,750	-	-	490,750
Metro Social Services	5,760	-	-	5,760
Investment Income/(Loss) - Endowment (Net of Trust Fees $1,056)	-	-	1,217	1,217
Interest Income	81	-	-	81
Miscellaneous Income	3,342	-	-	3,342
Total Support and Revenue	2,793,814	61,190	1,217	2,856,221
Net Assets Released From Restrictions				
Satisfaction of donor restrictions	70,119	(70,119)	-	-
Total Earned Revenue and Support	2,863,933	(8,929)	1,217	2,856,221
EXPENSES				
Program Services:				
Day Care	2,739,812	-	-	2,739,812
Supporting Services:				
Management and General	172,238	-	-	172,238
Fund Raising	81,140	-	-	81,140
Total Expenses	2,993,190	-	-	2,993,190
Changes in Net Assets	(129,257)	(8,929)	1,217	(136,969)
Net Assets -				
Beginning of year	838,457	71,488	136,120	1,046,065
End of Year	$ 709,200	$ 62,559	$ 137,337	$ 909,096

McNEILLY CENTER FOR CHILDREN, INC
(A not-for-profit organization)
Statement of Cash Flow
For the Year Ended June 30, 2015
(See Independent Auditors' Report)

	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Cash Flow from Operating Activities:				
Changes in net assets	$ (129,257)	$ (8,929)	$ 1,217	$ (136,969)
Adjustments to reconcile change in net assets to net cash used by				
Operating activities:				
Depreciation	56,940	-	-	56,940
(Gain)/Loss on Investments	-	-	(1,217)	(1,217)
Loss on the Disposal of assets	-	-	-	-
In-Kind Income	-	-	-	-
Bad Debt Expense	5,200	-	-	5,200
(Increase) Decrease in accounts and tuition receivable	(6,472)	-	-	(6,472)
(Increase) Decrease prepaid expenses	18,677	-	-	18,677
Increase (Decrease) in accounts payable	2,659	-	-	2,659
Increase (Decrease) in Salaries and Wages payable	7,256	-	-	7,256
Increase (Decrease) in unearned revenue	(23,364)	-	-	(23,364)
Net cash provided (used) by operating activities	(68,361)	(8,929)	-	(77,290)
Cash Flow from Investing Activities:				
Purchase of Investments	-	-	-	-
Proceeds from Sales of Investments	-	-	-	-
Purchase of property and equipment	-	-	-	-
Proceeds from sales of property and equipment	-	-	-	-
Net cash provided (used) by investing activities	-	-	-	-
Cash Flows from Financing Activities:				
Proceeds from Line of Credit	60,000	-	-	60,000
Repayments to Line of Credit	-	-	-	-
Net cash provided (used) by financing activities	60,000	-	-	60,000
Net increase (decrease) in cash and cash equivalents	(8,361)	(8,929)	-	(17,290)
Cash and cash equivalents at beginning of year	127,895	71,488	-	199,383
Cash and cash equivalents at end of year	$ 119,534	$ 62,559	$ -	$ 182,093

Supplemental Data:	
Interest paid	$ 640
Income tax paid	$ -

The accompanying notes are an integral part of the financial statements

McNEILLY CENTER FOR CHILDREN, INC
(A not-for-profit organization)
Statement of Functional Expenses
For the Year Ended June 30, 2015
(See Independent Auditors' Report)

	PROGRAM SERVICES	SUPPORTING SERVICES			
	Child Day Care	Management & General	Fund Raising	Total	Total Expenses
Salaries	$ 1,712,194	$ 124,784	$ 62,679	$ 187,463	$ 1,899,657
Fringe Benefits	271,683	13,023	5,272	18,295	289,978
Total Personnel Expenses	1,983,877	137,807	67,951	205,758	2,189,635
Travel	7,721	1,110	-	1,110	8,831
Communication	6,812	1,963	308	2,271	9,083
Occupancy	261,528	5,854	768	6,622	268,150
Professional Services	1,955	19,227	1,931	21,158	23,113
Sports Facilitator & Tutoring	17,175	-	-	-	17,175
Supplies	84,678	467	551	1,018	85,696
Repairs & Maintenance	29,783	-	-	-	29,783
Food Costs	235,344	-	-	-	235,344
Printing & Publications	922	-	1,388	1,388	2,310
Postage	25	317	346	663	688
Bad Debt Expense	5,200	-	-	-	5,200
Training & Meetings	3,699	-	-	-	3,699
Enrichment / Field Trips	6,316	-	-	-	6,316
Dues & Licenses	920	580	-	580	1,500
Minor Equipment Purchases	27,562	4,544	-	4,544	32,106
Interest Expense	640	-	-	-	640
Miscellaneous	8,710	374	7,897	8,271	16,981
Total Expenses (Before Depreciation & Loss on Disposal of Fixed Assets)	$ 2,682,867	$ 172,243	$ 81,140	$ 253,383	$ 2,936,250
Depreciation Expense	56,945	(5)	-	(5)	56,940
(Gain)/Loss on Disposal of Fixed Assets	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES	$ 2,739,812	$ 172,238	$ 81,140	$ 253,378	$ 2,993,190

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements
June 30, 2015

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 eighteen months through ten years. The Organization receives a substantial amount of its support from the Tennessee Department of Human Services, the Child and Adult Care Food Program, and Head Start.

Financial Statement Presentation
The Organization has utilizes accounting principles generally accepted in the United States for Not-for-Profit organizations. Under such procedures, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

Revenue and expenses are recorded when incurred in accordance with the accrual basis of accounting.

Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, 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 temporarily or permanently restricted net assets, depending on the nature of the restriction. 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. Temporarily restricted contributions for which the donor's restrictions are met in the same period in which the gift is received are reported as unrestricted support.

Substantially all of the temporary restrictions on net assets at June 30, 2015 are related to funds raised through a capital campaign, a drive to raise funds for capital improvements. Permanently restricted assets consist of endowment fund investments to be held indefinitely, the income from which is reinvested in endowment investment assets.

Investments
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 SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, 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.

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 if full principal payments are not received in accordance with the contractual terms.

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements (Continued)
June 30, 2015

1. AGENCY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment
It is the Organization's policy to capitalize property and equipment over $500. 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 unrestricted contributions 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 temporarily restricted net assets to unrestricted net assets 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.

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, 2015 accounts receivable from the following agencies were as follows:

Head Start / Early Head Start	$ 67,872
TDHS	20,284
CACFP	23,063
Allowance for Doubtful Accounts	(323)
Total	$ 110,896

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements (Continued)
June 30, 2015

4. FIXED ASSETS

The following changes in fixed assets occurred during the period July 1, 2014, through June 30,2015:

	Balance @ 7/1/14	Additions	Deletions	Balance @ 6/30/15
Land	$ 65,589	$ -	$ -	$ 65,589
Building	1,402,590	-	-	1,402,590
Equipment	523,216	-	-	523,216
Total	$ 1,991,395	$ -	$ -	$ 1,991,395

5. LONG-TERM INVESTMENTS

Investment assets consist primarily of securities held by The Community Foundation. 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, 2015 are as follows:

	June 30, 2015		
Community Foundation Account	Cost	Market Value	Unrealized Appreciation (Depreciation)
Community Foundation Account	139,493	137,337	(2,156)
Grand Total	$ 139,493	$ 137,337	$ (2,156)

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2015:

	Unrestricted	Permanently Restricted	Total
Interest & Dividend Income	$ -	$ 2,251	$ 2,251
Net Realized & Unrealized Gains (Losses)	-	22	22
Investment Fees	-	(1,056)	(1,056)
Total	$ -	$ 1,217	$ 1,217

Changes in endowment net assets as of June 30, 2015 are as follows:

	Amount
Endowment net assets, beginning of year	$ 136,120
Contributions	-
Invetment Return (see above)	1,217
Withdrawls	-
Endowment net assets, end of year	$ 137,337

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, $47,143 of vacation leave was due to employees at June 30, 2015. Accordingly a liability has been recorded. This amount is included in the accrual for salaries and benefits in current liabilities.

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements (Continued)
June 30, 2015

7. UNEMPLOYMENT COMPENSATION

The Organization has chosen to operate as a self-insurer for unemployment compensation claims. The amount of unemployment compensation claims paid for the year ended June 30, 2015 was $0.

8. 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. The initial formula is as follows: (1) a four percent discretionary contribution will be made by the agency for substantially all employees who are twenty-one years old and have completed one year of service. (2) Contribution from one percent to two percent may be made by eligible employees and will be matched 100% by the agency. (3) Additional non-matched contributions may be made by eligible employees subject to Internal Revenue Code limitations. Contribution percentages will be applied to compensation to determine eligible contributions.

Amounts contributed by the Organization to the plan for the year ended June 30, 2015 was $0.

9. LEASES

The Organization has a lease for office equipment that expires in December 2016. The total minimum monthly payment for the lease is $510. Lease expense for the year ending June 30, 2015 was $6,120. Remaining future minimum payments are for years ending June 30, 2016, and June 30, 2017 are $6,120 and $3,060, respectively.

10. LINE OF CREDIT

The Organization has a Line of Credit with Renasant Bank. The limit is $100,000. The maturity date is January 15, 2016. As of June 30, 2015, The interest rate in effect was 5.00%, and the outstanding balance was $60,000.

11. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 10, 2015, the date which the financial statements were available to be issued.

- END OF NOTES -

COWART REESE SARGENT
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Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of McNeilly Center for Children, Inc, (a nonprofit organization) (McNeilly), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, cash flows and functional expenses for the year ended, and the related notes to the financial statements , and have issued our report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McNeilly's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness McNeilly's internal control. Accordingly, we do not express an opinion on the effectiveness of McNeilly's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McNeilly Center for Children, Inc's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McNeilly's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cowart Reese Sargent

Cowart Reese Sargent, CPAs, PC
Jackson, TN

November 10, 2015

McNEILLY CENTER FOR CHILDREN, INC.
AUDITORS' FINDINGS
FOR THE YEAR ENDED June 30, 2015

Finding Number	Finding Title	Status
	There were no prior findings reported	
	There are no current findings	