THE KING'S DAUGHTERS DAY HOME
Financial Statements
June 30, 2009 and 2008

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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, 2009 and 2008, 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, 2009 and 2008, 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 10 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.

November 5, 2009

Parker, Parker & Associates

THE KING'S DAUGHTERS DAY HOME
Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
Assets		
Current Assets		
Cash	$ 37,630	$ 107,152
Investments	303,522	383,363
Accounts Receivable - Fees, Less Allowance for Doubtful Accounts of $0 in 2009 and 2008	994	994
Accounts Receivable - Government Assistance	7,129	5,527
Accounts Receivable - Other	225	-
Prepaid Expenses	1,841	6,770
Total Current Assets	351,341	503,806
Property and Equipment		
Building and Equipment	282,834	272,811
Accumulated Depreciation	(169,115)	(171,156)
Total Property and Equipment	113,719	101,655
Total Assets	$ 465,060	$ 605,461
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	$ 3,405	$ 16,910
Payroll Deductions Payable	358	4,109
Deferred Revenue	500	21,850
Total Current Liabilities	4,263	42,869
Unrestricted Net Assets		
Board Designated	599	3,350
Undesignated	460,198	559,242
Total Unrestricted Net Assets	460,797	562,592
Total Liabilities and Net Assets	$ 465,060	$ 605,461

See notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
Statements of Activities
For the Years Ended June 30, 2009 and 2008

	2009	2008
Unrestricted Net Assets		
Public Support and Revenue		
Public Support:		
Contributions	$ 144,603	$ 443,293
United Way	123,237	126,723
Government Fees and Grants	74,218	77,716
Other Grants	30,000	-
Fundraising Events	56,385	12,353
Donated Facilities	22,477	22,254
Donated Services	210	-
Total Public Support	451,129	682,339
Revenue:		
Program Service Fees	122,704	118,775
Interest and Dividend Income	20,777	12,101
Unrealized Gains and (Losses)	(51,740)	(25,039)
Gain (Loss) on Disposal of Equipment	(3,979)	(93)
Miscellaneous Income	5,510	64
Total Revenue	93,272	105,808
Total Public Support and Revenue	544,401	788,147
Expenses		
Program Services	507,567	504,435
Management and General	105,101	93,847
Fundraising	33,528	21,336
Total Expenses	646,196	619,618
Increase (Decrease) in Unrestricted Net Assets	(101,795)	168,529
Net Assets - Beginning of Year	562,592	394,063
Net Assets - End of Year	$ 460,797	$ 562,592

See notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
Statements of Functional Expenses
For the Years Ended June 30, 2009 and 2008

	2009				2008			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Art Party Expenses	$ -	$ -	$ -	$ -	$ -	$ -	$ 821	$ 821
Bad Debt Expense	-	-	-	-	183	-	-	183
Communication	1,899	1,301	232	3,432	1,939	1,315	236	3,490
Conferences and Meetings	6,654	-	-	6,654	3,848	-	-	3,848
Depreciation	-	12,120	-	12,120	-	9,901	-	9,901
Employee Benefits	12,951	9,023	-	21,974	9,895	9,241	-	19,136
Fees and Licenses	282	368	-	650	247	323		570
Fashion Show Expenses	-	-	11,879	11,879	-	-	3,949	3,949
Insurance	10,604	167	-	10,771	16,351	258	-	16,609
Maintenance & Repairs	15,395	1,474	-	16,869	12,599	1,043	-	13,642
Dues & Subscriptions	3,072	1,832	-	4,904	745	392	-	1,137
Miscellaneous	550	223	-	773	1,031	323	200	1,554
Occupancy	22,477	-	-	22,477	22,254	-	-	22,254
Payroll Taxes	24,581	6,593	-	31,174	23,758	3,869	-	27,627
Printing	-	196	282	478	-	785	1,130	1,915
Professional Fees	-	11,320	21,135	32,456	-	10,455	15,000	25,455
Salaries	303,103	53,146	-	356,249	297,128	51,849	-	348,977
Supplies and General Expenses	53,789	7,337	-	61,126	65,289	2,987	-	68,276
Teacher Appreciation	73	-	-	73	60	-	-	60
Theft Expense	-	-	-	-	-	1,096	-	1,096
Travel	26	2	-	28	123	9	-	132
United Way Grant Expenses	52,111	-	-	52,111	48,986	-	-	48,986
Totals	$ 507,567	$ 105,101	$ 33,528	$ 646,196	$ 504,435	$ 93,847	$ 21,336	$ 619,618

See notes to the financial statements.

THE KING'S DAUGHTERS DAY HOME
Statements of Cash Flows
For the Years Ended June 30, 2009 and 2008

	2009	2008
Cash Flows from Operating Activities		
Increase in Net Assets	$ (101,795)	$ 168,529
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,120	9,901
Unrealized Loss on Investments	51,740	25,039
Loss on Disposal of Equipment	3,979	93
Reinvested Dividends and Interest, Net of Fees	(20,573)	-
Donated Property and Equipment	(8,365)	(6,900)
Decrease in Accounts Receivable - Fees	-	56
Increase in Accounts Receivable - Government Assistance	(1,602)	(638)
Increase in Accounts Receivable - Other	(225)	-
Decrease in Pledges Receivable	-	500
(Increase) Decrease in Prepaid Items	4,929	(1,055)
Increase (Decrease) in Accounts Payable	(13,504)	3,674
Increase (Decrease) in Payroll Deductions Payable	(3,752)	132
Increase (Decrease) in Accrued Bonuses	-	(1,000)
Increase (Decrease) in Deferred Revenue	(21,350)	21,850
Total Adjustments	3,397	51,652
Net Cash Provided by Operating Activities	(98,398)	220,181
Cash Flows from Investing Activities		
Transfers from Investments	48,674	-
Payments for the Purchase of Property	(19,798)	(9,182)
Payments for the Purchase of Investments	-	(211,575)
Net Cash Used by Investing Activities	28,876	(220,757)
Net Decrease in Cash	(69,522)	(576)
Cash - Beginning of Year	107,152	107,728
Cash - End of Year	$ 37,630	$ 107,152

See notes to financial statements.

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.

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.

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, 2009 and 2008, respectively.

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

Note 1. Summary of Significant Accounting Policies – Continued

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 Statement of Financial Accounting Standard No. 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations.*

L. Fair Value Measurements

The Day Home has adopted Statement on Financial Accounting Standards No. 157, Fair Value Measurements for determining the fair value of financial assets and liabilities that are required to be carried at such amounts. 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 estimated 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, 2009 and 2008 was $12,120 and $9,901.

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, 2009 and 2008, respectively, using quoted market prices. The various types of investments are listed below:

2009	Fair Market Value	Cost	Cumulative Unrealized Gain(Loss)
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
	$ 303,522	$ 365,108	$ (61,586)

Note 2. Investments – Continued

2008	Fair Market Value	Cost	Cumulative Unrealized Gain(Loss)
Money Funds	$ 155,076	$ 155,076	$ -
Mortgage Backed Securities	49,980	50,816	(836)
Mutual Funds	153,917	162,319	(8,402)
Corporate Bonds	24,390	24,999	(609)
	$ 383,363	$ 393,209	$ (9,846)

Note 3. Fair Value Measurements

The following assets carried at fair value are reviewed and adjusted on a recurring basis:

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

Note 4. 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, 2009:

Year Ending June 30,	Annual Lease Payments
2010	$ 1,980
2011	1,155
	$ 3,135

Rental expense for the years ended June 30, 2009 was $1,600.

Note 5. Net Assets

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.

Note 6. 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, 2009, the United Way grant represented 21% of total revenues and the DHS grant represented 12% of total revenues. For the year ended June 30, 2008 the United Way grant represented 16% of total revenues and the DHS grants represented 10% of total revenues.

At June 30, 2008, the Day Home's cash accounts exceeded the Federal Deposit Insurance Corporation insurance coverage by $7,260.

Note 7. Donated Facilities, Services and Supplies

For the years ended June 30, 2009 and 2008, the Day Home facilities have been donated by a related entity (see Note 9). Donated facilities are used in the ongoing operations of the Day Home and are reflected as contributions in the accompanying statements at estimated values at date of receipt. The value of donated facilities and services included in the financial

Note 7. Donated Facilities, Services and Supplies – Continued

statements and the corresponding expenditures for the years ended June 30, 2009 and 2008 are as follows:

Value of Donated Facilities, Services and Supplies

	2009	2008
Revenues:		
Donated Facilities	$ 22,477	$ 22,254
Donated Capital Items	8,365	6,900
Donated Services	210	-
Donated Administrative Expense	550	-
Total	$ 30,842	$ 29,154

Expenditures

	2009	2008
Occupancy	$ 22,477	$ 22,254
Building Improvements	8,365	6,900
Professional Fees	510	-
Salaries	250	-
Total Expenditures	$ 30,842	$ 29,154

Note 8. Pension and Other Retirement Benefits

The Organization adopted a Simplified Employee Pension (SEP) Plan covering substantially all of its employees in 1994. The employee must have worked two of the previous three years to be covered under the plan. The plan year-end is November 30. For the years ended June 30, 2009 and 2008, $4,273 and $3,119 in contributions were made to the SEP plan.

The Day Home, as part of the Board approved retirement package for a former director, paid health insurance benefits. The total payments for the years ended June 30, 2008 were $1,146, with payment of this benefit ceasing during 2008.

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 and owns the building and property in which the Day Home operates. In addition to donating building and property (See Note 7), the County Union made operating contributions of $11,559 and $24,465 for the years ended June 30, 2009 and 2008.

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, 2009 through November 5, 2009, 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, 2009 and 2008

	2009			2008		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Support and Revenue						
Contributions	$ 144,603	$ 267,000	$ (122,397)	$ 443,293	$ 224,200	$ 219,093
Nashville Area United Way	123,237	108,000	15,237	126,723	112,634	14,089
Grants	30,000	-	30,000	-	7,000	(7,000)
Government Fees and Grants	74,218	48,000	26,218	77,716	66,636	11,080
Special Fundraising Events	56,385	36,500	19,885	12,353	85,500	(73,146)
Donated Facilities & Services	22,477	22,254	223	22,254	22,254	-
Program Service Fees	122,704	144,180	(21,476)	118,774	129,144	(10,370)
Miscellaneous Income	5,510	-	5,510	64	-	64
Interest/Investment Income	20,777	6,000	14,777	12,101	15,000	(2,899)
Unrealized Gains and Losses	(51,740)	-	(51,740)	(25,039)	-	(25,039)
Gain (Loss) on Disposal of Equipment	(3,979)	-	(3,979)	(93)	-	(93)
Total Support and Revenue	544,191	631,934	(87,743)	788,147	662,368	125,778
Expenses						
Art Party Expenses	-	-	-	821	-	(821)
Bad Debt Expense	-	-	-	183	-	(183)
Communication	3,432	4,460	1,028	3,490	4,400	910
Conferences and Meetings	6,654	-	(6,654)	3,848	-	(3,848)
Depreciation	12,120	-	(12,120)	9,901	-	(9,901)
Employee Benefits	21,974	24,500	2,526	19,136	28,200	9,064
Fees and Licenses	650	1,000	350	570	-	(570)
Fashion Show Expenses	11,879	-	(11,879)	3,949	4,500	551
Fundraising Events - Other Expenses	-	-	-	-	8,500	8,500
Insurance	10,771	15,800	5,029	16,609	7,200	(9,409)
Maintenance & Repairs	16,869	10,750	(6,119)	13,642	9,160	(4,482)
Dues & Subscriptions	4,904	1,120	(3,784)	1,137	720	(417)
Miscellaneous	773	2,100	1,327	1,554	420	(1,134)
Occupancy	22,477	22,254	(223)	22,254	22,254	-
Payroll Taxes	31,174	29,477	(1,697)	27,627	28,938	1,311
Printing	478	1,200	722	1,915	1,200	(715)
Professional Fees	32,456	25,500	(6,956)	25,455	24,600	(855)
Salaries	356,249	368,552	12,303	348,977	396,239	47,262
Supplies and General Expenses	61,126	69,500	8,374	68,276	81,360	13,084
Teacher Appreciation	73	-	(73)	60	-	(60)
Theft Expense	-	-	-	1,096	-	(1,096)
Travel	28	150	122	132	120	(12)
United Way Grant Expenses	52,111	53,990	1,879	48,986	45,000	(3,986)
Total Expenses	646,196	630,353	(15,843)	619,618	662,811	43,193
Excess (Deficit) of Revenues over Expenses	$ (102,005)	$ 1,581	$ (103,585)	$ 168,529	$ (443)	$ 168,971

See independent auditors' report.