McNEILLY CENTER FOR CHILDREN, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017

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COWART REESE SARGENT
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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, 2017, 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.

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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, 2016, 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 7, 2017, 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 7, 2017

McNEILLY CENTER FOR CHILDREN, INC
Statement of Financial Position
June 30, 2017

	OPERATIONS		
ASSETS	Unrestricted	Temporarily Restricted	Total
Current Assets:			
Cash & Temporary Cash Investments	$ 31,415	$ 21,749	$ 53,164
Tuition Receivable	3,036	-	3,036
Allowance for Tuition Receivable	(163)	-	(163)
Accounts Receivable - Programs	103,337	-	103,337
Prepaid Expenses	9,422	-	9,422
Total Current Assets	147,046	21,749	168,795
Long Term Investments	134,275	-	134,275
Property and equipment - At cost			
Land	65,589	-	65,589
Building	1,402,593	-	1,402,593
Equipment	523,220	-	523,220
	1,991,402	-	1,991,402
Less accumulated depreciation	(1,401,087)	-	(1,401,087)
Net Fixed Assets	590,314	-	590,314
TOTAL ASSETS	871,635	21,749	893,384
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	27,757	-	27,757
Accrued Salaries and Benefits	130,816	-	130,816
Unearned Grant Revenue	15,786	-	15,786
Line of Credit	40,000	-	40,000
Total Current Liabilities	214,358	-	214,358
TOTAL LIABILITIES	214,358	-	214,358
Net Assets			
Net Assets - undesignated	523,002	21,749	544,751
Net Assets - designated	134,275	-	134,275
TOTAL NET ASSETS	657,277	21,749	679,026
TOTAL LIABILITIES AND NET ASSETS	$ 871,635	$ 21,749	$ 893,384

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, 2017

	OPERATIONS		
PUBLIC SUPPORT & REVENUE	Unrestricted	Temporarily Restricted	Total
U.S. Dept. of Agriculture, passed through Tenn. Dept. of Human Services:			
Child Care Food Program	$ 221,754	$ -	$ 221,754
DHS Revenues	345,443	-	345,443
United Way	375,226	-	375,226
Client Fee	449,606	-	449,606
Special Events and Other Fundraising	44,834	-	44,834
Grant Revenue	220,000	50,229	270,229
Gifts	8,199	-	8,199
HeadStart	-	-	-
Early HeadStart	551,200	-	551,200
Metro Social Services	-	-	-
Investment Income/(Loss) - Endowment (Net of Trust Fees $1,357)	12,977	-	12,977
Interest Income	45	-	45
Total Support and Revenue	2,229,285	50,229	2,279,514
Net Assets Released From Restrictions			
Satisfaction of donor restrictions	80,399	(80,399)	-
Total Earned Revenue and Support	2,309,684	(30,170)	2,279,514
EXPENSES			
Program Services:			
Day Care	2,184,591	-	2,184,591
Supporting Services:			
Management and General	155,796	-	155,796
Fundraising	91,991	-	91,991
Total Expenses	2,432,378	-	2,432,378
Changes in Net Assets	(122,694)	(30,170)	(152,864)
Net Assets -			
Beginning of year	779,971	51,919	831,890
End of Year	$ 657,277	$ 21,749	$ 679,026

McNEILLY CENTER FOR CHILDREN, INC

Statement of Cash Flow

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Cash Flow from Operating Activities:			
Changes in net assets	$ (122,694)	$ (30,170)	$ (152,864)
Adjustments to reconcile change in net assets to net cash used by			
Operating activities:			
Depreciation	43,923	-	43,923
Bad debt expense	2,710	-	2,710
(Increase) Decrease in accounts and tuition receivable	(8,191)	-	(8,191)
(Increase) Decrease prepaid expenses	528	-	528
Increase (Decrease) in accounts payable	(3,387)	-	(3,387)
Increase (Decrease) in salaries and wages payable	24,669	-	24,669
Increase (Decrease) in unearned revenue	5,092	-	5,092
Net cash provided (used) by operating activities	(59,891)	(30,170)	(90,061)
Cash Flow from Investing Activities:			
Purchase of Investments	-	-	-
Proceeds from Sales of Investments	6,500	-	6,500
Purchase of property and equipment	-	-	-
Proceeds from sales of property and equipment	-	-	-
(Gain)/Loss on Investments	(11,682)	-	(11,682)
Net cash provided (used) by investing activities	(5,182)	-	(5,182)
Cash Flows from Financing Activities:			
Proceeds from Line of Credit	40,000	-	40,000
Repayments to Line of Credit	(60,000)	-	(60,000)
Net cash provided (used) by financing activities	(20,000)	-	(20,000)
Net increase (decrease) in cash and cash equivalents	(85,073)	(30,170)	(115,243)
Cash and cash equivalents at beginning of year	116,488	51,919	168,407
Cash and cash equivalents at end of year	$ 31,415	$ 21,749	$ 53,164

Supplemental Data:	
Interest paid	$ 1,623
Income tax paid	$ -

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, 2017

	PROGRAM SERVICES	SUPPORTING SERVICES			
	Child Day Care	Management & General	Fund Raising	Total	Total Expenses
Salaries	$ 1,372,309	$ 104,164	$ 71,807	$ 175,972	$ 1,548,280
Fringe Benefits	207,489	11,953	6,093	18,046	225,535
Total Personnel Expenses	1,579,798	116,118	77,900	194,017	1,773,815
Travel	10,794	2,005	11	2,016	12,810
Communication	4,447	566	332	899	5,345
Occupancy	207,737	5,845	712	6,557	214,294
Professional Services	2,882	21,509	1,659	23,168	26,050
Sports Facilitator & Tutoring	-	-	-	-	-
Supplies	67,720	225	401	626	68,345
Repairs & Maintenance	45,508	-	-	-	45,508
Food Costs	195,160	-	-	-	195,160
Printing & Publications	8,985	-	344	344	9,329
Postage	-	352	49	401	401
Bad Debt Expense	2,710	-	-	-	2,710
Training & Meetings	5,569	740	-	740	6,309
Enrichment / Field Trips	5,670	-	-	-	5,670
Dues & Licenses	805	4,985	-	4,985	5,790
Minor Equipment Purchases	2,796	2,880	-	2,880	5,676
Interest Expense	1,623	-	-	-	1,623
Miscellaneous	1,007	570	10,584	11,154	12,162
Total Expenses (Before Depreciation & Loss on Disposal of Fixed Assets)	2,143,209	155,796	91,991	247,787	2,390,996
Depreciation Expense	43,923	-	-	-	43,923
(Gain)/Loss on Disposal of Fixed Assets	(2,541)	-	-	-	(2,541)
TOTAL FUNCTIONAL EXPENSES	$ 2,184,591	$ 155,796	$ 91,991	$ 247,787	$ 2,432,378

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements
June 30, 2017

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.

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.

As of June 30, 2017, the Board of Directors had designated $127,878 of unrestricted net assets 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 unrestricted net assets, and is able to be spent at the Board’s discretion.

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.

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements (Continued)
June 30, 2017

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, 2017 accounts receivable from the following agencies were as follows:

Head Start/Early Head Start	$	44,200
CACFP		18,699
DHS		40,438
Total	$	103,337

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements (Continued)
June 30, 2017

4. FIXED ASSETS

The following changes in fixed assets occurred during the period July 1, 2016, through June 30, 2017:

	Balance @ 7/1/16	Additions	Deletions	Balance @ 6/30/17
Land	$ 65,589	$ -	$ -	$ 65,589
Building	1,402,590	-	-	1,402,590
Equipment	523,224	-	-	523,224
Total	1,991,403	-	-	1,991,403
Accumulated Depreciation	(1,357,164)	(43,924)	-	(1,401,088)
Total Net Fixed Assets	$ 634,239	$ (43,924)	$ -	$ 590,315

Depreciation expense for the year ended June 30, 2016, was $43,924.

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, 2017 are as follows:

		June 30, 2017	
Community Foundation Account	Cost	Market Value	Unrealized Appreciation (Depreciation)
Community Foundation Account	133,648	134,275	627
Grand Total	$ 133,648	$ 134,275	$ 627

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2017:

	Unrestricted - Board Designated
Interest & Dividend Income	$ 2,652
Net Realized & Unrealized Gains (Losses)	11,682
Investment Fees	(1,357)
Total	$ 12,977

Changes in Endowment (Board Designated) net assets as of June 30, 2017 are as follows:

	Amount
Endowment net assets, beginning of year	$ 127,878
Contributions	-
Investment Return (see above)	12,977
Withdrawls	(6,580)
Endowment net assets, end of year	$ 134,275

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, $54,210 of vacation leave was due to employees at June 30, 2017. 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. 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, 2017 was $2,692.

8. LEASES

The Organization leases space on a month-to-month basis. Lease expense for the year ending June 30, 2017 was $58,000.

9. LINE OF CREDIT

The Organization has a Line of Credit with Renasant Bank with a limit of $100,000. The line is collateralized by all assets of the Organization. The maturity date is January 15, 2018. As of June 30, 2017, the interest rate in effect was 5.00%, and the outstanding balance was $40,000.

10. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 7, 2017, the date which the financial statements were available to be issued.

- END OF NOTES -

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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, 2017, 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 7, 2017.

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.

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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 7, 2017

McNEILLY CENTER FOR CHILDREN, INC.
Schedule of Findings and Responses
For the year ending June 30, 2017

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