

**THE KING'S DAUGHTERS DAY HOME  
d/b/a THE KING'S DAUGHTERS CHILD  
DEVELOPMENT CENTER**

Financial Statements

*June 30, 2019 and 2018*



**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Financial Statements

*June 30, 2019 and 2018*

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## **Independent Auditors' Report**

To the Board of Directors of  
The King's Daughters Day Home  
d/b/a The King's Daughters Child Development Center

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

We have audited the accompanying financial statements of The King's Daughters Day Home d/b/a The King's Daughters Child Development Center (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our 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 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 auditors' 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 The King's Daughters Day Home d/b/a The King's Daughters Child Development Center as of June 30, 2019 and 2018, 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 Matter**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*Blankenship CPA Group, PLLC*

Blankenship CPA Group, PLLC  
Goodlettsville, Tennessee  
November 8, 2019

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
 Statements of Financial Position

*June 30, 2019 and 2018*

|   | <b>2019</b>                | <b>2018</b>                |
|---|----------------------------|----------------------------|
| <b>Assets</b>                               |                            |                            |
| <b>Current Assets</b>                       |                            |                            |
| Cash  | \$ 90,559                  | \$ 60,962                  |
| Investments                                 | 899,816                    | 928,233                    |
| Accounts Receivable - Fees                  | 4,037                      | 3,420                      |
| Accounts Receivable - Government Assistance | 12,694                     | 9,316                      |
| Prepaid Expenses                            | 2,851                      | 3,607                      |
| Total Current Assets                        | <u>1,009,957</u>           | <u>1,005,538</u>           |
| <b>Property and Equipment</b>               |                            |                            |
| Land  | 207,476                    | 207,476                    |
| Buildings and Improvements                  | 1,985,982                  | 1,940,956                  |
| Equipment                                   | 103,224                    | 102,465                    |
| Construction in Progress                    | -                          | 13,500                     |
| Accumulated Depreciation                    | (465,166)                  | (402,128)                  |
| Total Property and Equipment, Net           | <u>1,831,516</u>           | <u>1,862,269</u>           |
| Total Assets                                | <u><u>\$ 2,841,473</u></u> | <u><u>\$ 2,867,807</u></u> |
| <b>Liabilities and Net Assets</b>           |                            |                            |
| <b>Current Liabilities</b>                  |                            |                            |
| Accounts Payable                            | \$ 17,356                  | \$ 10,945                  |
| Payroll Deductions Payable                  | 6,533                      | 4,770                      |
| Deferred Revenue                            | 4,425                      | -                          |
| Total Current Liabilities                   | <u>28,314</u>              | <u>15,715</u>              |
| <b>Net Assets</b>                           |                            |                            |
| Net Assets Without Donor Restrictions       | 2,798,022                  | 2,826,930                  |
| Net Assets With Donor Restrictions          | 15,137                     | 25,162                     |
| Total Net Assets                            | <u>2,813,159</u>           | <u>2,852,092</u>           |
| Total Liabilities and Net Assets            | <u><u>\$ 2,841,473</u></u> | <u><u>\$ 2,867,807</u></u> |

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Statements of Activities

*For the Years Ended June 30, 2019 and 2018*

|                                       | 2019                             |                            |                     | 2018                             |                            |                     |
|---------------------------------------|----------------------------------|----------------------------|---------------------|----------------------------------|----------------------------|---------------------|
|                                       | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total               | Without<br>Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
| <b>Support and Revenues</b>           |                                  |                            |                     |                                  |                            |                     |
| Contributions                         | \$ 36,306                        | \$ -                       | \$ 36,306           | \$ 1,083,762                     | \$ -                       | \$ 1,083,762        |
| United Way                            | 108,000                          | -                          | 108,000             | 108,000                          | -                          | 108,000             |
| Government Fees and Grants            | 153,999                          | -                          | 153,999             | 90,455                           | -                          | 90,455              |
| Other Grants                          | 40,207                           | 107,966                    | 148,173             | 66,235                           | 37,500                     | 103,735             |
| Fundraising Events                    | 32,785                           | -                          | 32,785              | 43,894                           | -                          | 43,894              |
| In-Kind Donations                     | 10,925                           | -                          | 10,925              | 9,000                            | -                          | 9,000               |
| Program Service Fees                  | 506,782                          | -                          | 506,782             | 392,344                          | -                          | 392,344             |
| Investment Income, Net                | 47,648                           | -                          | 47,648              | 8,316                            | -                          | 8,316               |
| Net Assets Released from Restrictions | 117,991                          | (117,991)                  | -                   | 27,603                           | (27,603)                   | -                   |
| Total Support and Revenues            | <u>1,054,643</u>                 | <u>(10,025)</u>            | <u>1,044,618</u>    | <u>1,829,609</u>                 | <u>9,897</u>               | <u>1,839,506</u>    |
| <b>Functional Expenses</b>            |                                  |                            |                     |                                  |                            |                     |
| Program Services                      | 902,145                          | -                          | 902,145             | 927,251                          | -                          | 927,251             |
| Management and General                | 144,266                          | -                          | 144,266             | 130,637                          | -                          | 130,637             |
| Fundraising                           | 29,091                           | -                          | 29,091              | 24,862                           | -                          | 24,862              |
| Costs of Direct Benefits to Donors    | 8,049                            | -                          | 8,049               | 7,509                            | -                          | 7,509               |
| Total Functional Expenses             | <u>1,083,551</u>                 | <u>-</u>                   | <u>1,083,551</u>    | <u>1,090,259</u>                 | <u>-</u>                   | <u>1,090,259</u>    |
| <b>Change in Net Assets</b>           | (28,908)                         | (10,025)                   | (38,933)            | 739,350                          | 9,897                      | 749,247             |
| <b>Net Assets - Beginning of Year</b> | <u>2,826,930</u>                 | <u>25,162</u>              | <u>2,852,092</u>    | <u>2,087,580</u>                 | <u>15,265</u>              | <u>2,102,845</u>    |
| <b>Net Assets - End of Year</b>       | <u>\$ 2,798,022</u>              | <u>\$ 15,137</u>           | <u>\$ 2,813,159</u> | <u>\$ 2,826,930</u>              | <u>\$ 25,162</u>           | <u>\$ 2,852,092</u> |

See notes to financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Statement of Functional Expenses

*For the Year Ended June 30, 2019*

|                               | Program Services   |                   |                        | Supporting Services    |                  |                           |                     |
|-------------------------------|--------------------|-------------------|------------------------|------------------------|------------------|---------------------------|---------------------|
|                               | Infant and Toddler | Pre-School        | Total Program Services | Management and General | Fundraising      | Total Supporting Services | Total               |
| Communication                 | \$ 1,758           | \$ 655            | \$ 2,413               | \$ 1,206               | \$ 402           | \$ 1,608                  | \$ 4,021            |
| Conferences and Meetings      | 2,446              | 2,269             | 4,715                  | -                      | -                | -                         | 4,715               |
| Depreciation and Amortization | 30,695             | 26,039            | 56,734                 | 6,304                  | -                | 6,304                     | 63,038              |
| Dues and Subscriptions        | 933                | 2,082             | 3,015                  | -                      | -                | -                         | 3,015               |
| Employee Benefits             | 4,195              | 4,195             | 8,390                  | 25,166                 | -                | 25,166                    | 33,556              |
| Fees and Licenses             | 185                | 100               | 285                    | 205                    | -                | 205                       | 490                 |
| Insurance                     | 11,685             | 11,687            | 23,372                 | -                      | -                | -                         | 23,372              |
| Maintenance and Repairs       | 21,206             | 21,502            | 42,708                 | 4,877                  | -                | 4,877                     | 47,585              |
| Miscellaneous                 | 478                | 2,759             | 3,237                  | 150                    | -                | 150                       | 3,387               |
| Occupancy                     | 9,177              | 14,367            | 23,544                 | 1,598                  | -                | 1,598                     | 25,142              |
| Payroll Taxes                 | 19,854             | 23,725            | 43,579                 | 6,586                  | 607              | 7,193                     | 50,772              |
| Printing                      | -                  | -                 | -                      | -                      | -                | -                         | -                   |
| Professional Fees             | 16,421             | 16,421            | 32,842                 | 4,105                  | 4,105            | 8,210                     | 41,052              |
| Salaries                      | 246,771            | 294,687           | 541,458                | 82,856                 | 7,727            | 90,583                    | 632,041             |
| Special Events                | -                  | -                 | -                      | -                      | 24,299           | 24,299                    | 24,299              |
| Supplies and General Expenses | 34,129             | 29,330            | 63,459                 | 11,213                 | -                | 11,213                    | 74,672              |
| Teacher Appreciation          | 272                | 282               | 554                    | -                      | -                | -                         | 554                 |
| Travel                        | 80                 | 233               | 313                    | -                      | -                | -                         | 313                 |
| United Way Grant Expenses     | 2,354              | 49,173            | 51,527                 | -                      | -                | -                         | 51,527              |
| Totals                        | <u>\$ 402,639</u>  | <u>\$ 499,506</u> | <u>\$ 902,145</u>      | <u>\$ 144,266</u>      | <u>\$ 37,140</u> | <u>\$ 181,406</u>         | <u>\$ 1,083,551</u> |

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Statement of Functional Expenses

*For the Year Ended June 30, 2018*

|                               | Program Services      |                   |                              | Supporting Services       |                  |                                 |                     |
|-------------------------------|-----------------------|-------------------|------------------------------|---------------------------|------------------|---------------------------------|---------------------|
|                               | Infant and<br>Toddler | Pre-School        | Total<br>Program<br>Services | Management<br>and General | Fundraising      | Total<br>Supporting<br>Services | Total               |
| Center Development            | \$ -                  | \$ 50             | \$ 50                        | \$ -                      | \$ -             | \$ -                            | \$ 50               |
| Communication                 | 1,749                 | 557               | 2,306                        | 1,153                     | 384              | 1,537                           | 3,843               |
| Conferences and Meetings      | 2,808                 | 5,382             | 8,190                        | -                         | -                | -                               | 8,190               |
| Depreciation and Amortization | 29,159                | 23,055            | 52,214                       | 5,802                     | -                | 5,802                           | 58,016              |
| Dues and Subscriptions        | 248                   | 1,067             | 1,315                        | -                         | -                | -                               | 1,315               |
| Employee Benefits             | 5,770                 | 14,540            | 20,310                       | 5,449                     | -                | 5,449                           | 25,759              |
| Fees and Licenses             | 161                   | 357               | 518                          | -                         | -                | -                               | 518                 |
| Insurance                     | 12,296                | 12,295            | 24,591                       | -                         | -                | -                               | 24,591              |
| Maintenance and Repairs       | 22,476                | 61,067            | 83,543                       | 9,283                     | -                | 9,283                           | 92,826              |
| Miscellaneous                 | 286                   | 218               | 504                          | 24                        | -                | 24                              | 528                 |
| Occupancy                     | 9,071                 | 13,636            | 22,707                       | 1,509                     | -                | 1,509                           | 24,216              |
| Payroll Taxes                 | 19,371                | 23,345            | 42,716                       | 6,457                     | 497              | 6,954                           | 49,670              |
| Printing                      | -                     | -                 | -                            | -                         | 955              | 955                             | 955                 |
| Professional Fees             | 17,042                | 17,042            | 34,084                       | 4,261                     | 4,261            | 8,522                           | 42,606              |
| Salaries                      | 249,029               | 300,112           | 549,141                      | 83,010                    | 6,385            | 89,395                          | 638,536             |
| Special Events                | -                     | -                 | -                            | -                         | 19,889           | 19,889                          | 19,889              |
| Supplies and General Expenses | 32,313                | 24,047            | 56,360                       | 13,689                    | -                | 13,689                          | 70,049              |
| Teacher Appreciation          | 35                    | 732               | 767                          | -                         | -                | -                               | 767                 |
| United Way Grant Expenses     | 2,027                 | 25,908            | 27,935                       | -                         | -                | -                               | 27,935              |
| Totals                        | <u>\$ 403,841</u>     | <u>\$ 523,410</u> | <u>\$ 927,251</u>            | <u>\$ 130,637</u>         | <u>\$ 32,371</u> | <u>\$ 163,008</u>               | <u>\$ 1,090,259</u> |



**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**

Statements of Cash Flows

*For the Years Ended June 30, 2019 and 2018*

|   | <b>2019</b>      | <b>2018</b>      |
|---|------------------|------------------|
| <b>Cash Flows from Operating Activities</b>         |                  |                  |
| Change in Net Assets                                | \$ (38,933)      | \$ 749,247       |
| Adjustments to Change in Net Assets to              |                  |                  |
| Net Cash (Used) by Operating Activities:            |                  |                  |
| Depreciation and Amortization                       | 63,038           | 58,016           |
| Donated Investments                                 | -                | (859,868)        |
| Realized Loss (Gain) on Investments                 | 7,095            | (24,261)         |
| Unrealized Loss (Gain) on Investments               | (31,030)         | 34,058           |
| Reinvested Dividends and Interest, Net of Fees      | (18,200)         | (13,595)         |
| (Increase) Decrease in:                             |                  |                  |
| Accounts Receivable - Fees                          | (617)            | (140)            |
| Accounts Receivable - Government Assistance         | (3,378)          | (2,720)          |
| Prepaid Expenses                                    | 756              | (1,466)          |
| Increase (Decrease) in:                             |                  |                  |
| Accounts Payable                                    | 6,411            | (12,471)         |
| Payroll Deductions Payable                          | 1,763            | (1,544)          |
| Deferred Revenue                                    | 4,425            | -                |
| Total Adjustments                                   | 30,263           | (823,991)        |
| Net Cash (Used) by Operating Activities             | (8,670)          | (74,744)         |
| <b>Cash Flows from Investing Activities</b>         |                  |                  |
| Cash Payments for the Purchase of Investments       | (316,106)        | (1,195,909)      |
| Cash Proceeds from the Sale of Investments          | 310,472          | 1,192,623        |
| Transfers from Investments                          | 76,186           | 139,972          |
| Payments for the Purchase of Property and Equipment | (32,285)         | (50,714)         |
| Net Cash Provided by Investing Activities           | 38,267           | 85,972           |
| <b>Net Increase in Cash</b>                         | 29,597           | 11,228           |
| <b>Cash - Beginning of Year</b>                     | 60,962           | 49,734           |
| <b>Cash - End of Year</b>                           | <u>\$ 90,559</u> | <u>\$ 60,962</u> |
| <b>Supplemental Cash Flow Disclosure:</b>           |                  |                  |
| <b>Non-Cash Investing Transactions:</b>             |                  |                  |
| Reinvested Dividends on Investments                 | <u>\$ 26,997</u> | <u>\$ 22,386</u> |

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Notes to Financial Statements

*June 30, 2019 and 2018*

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**Note 1 – Summary of Significant Accounting Policies**

**Organization and Nature of Activities**

The King's Daughters Day Home d/b/a The King's Daughters Development Center (the Day Home) is a United Way supported, not-for-profit 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.

**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 (US GAAP).

**Financial Statement Presentation**

The net assets of the Day Home and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* - Net assets that are not subject to donor-imposed restrictions.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Day Home and/or the passage of time.

**Estimates**

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Day Home defines cash and cash equivalents to include only cash on hand and deposits in banks. Money funds held with investment brokers are considered investments in the financial statements. As of June 30, 2019 and 2018, there are no cash equivalents

**Accounts Receivable**

Accounts receivable result from billings for tuition and fees. Accounts receivable are 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. At June 30, 2019 and 2018, the Day Home had no allowance for doubtful accounts receivable.

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Notes to Financial Statements

*June 30, 2019 and 2018*

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**Note 1 – Summary of Significant Accounting Policies – Continued**

**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, 2019 and 2018.

**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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements 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 estimated fair values in the period received.

Program service fees are recognized when earned. Deferred revenue consists of receipts for billings for the subsequent year.

**Income Taxes**

The Day Home is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business income.

**Functional Expenses**

The costs of providing program services have been summarized on a functional basis in the statements of activities. Some costs have been charged using specific identification. Costs that include a reasonable allocation method are as follows:

| <b>Expense</b>            | <b>Method of Allocation</b> |
|---------------------------|-----------------------------|
| Depreciation              | Square Footage              |
| Employee Benefits         | Time and Effort             |
| Occupancy                 | Square Footage              |
| Payroll Taxes             | Time and Effort             |
| Professional Fees         | Time and Effort             |
| Salaries                  | Time and Effort             |
| Travel                    | Time and Effort             |
| United Way Grant Expenses | Time and Effort             |

Expenses are charged directly to program, management and general, or fundraising based on both specific identification and allocation by management.

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Notes to Financial Statements

June 30, 2019 and 2018

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**Note 1 – Summary of Significant Accounting Policies – Continued**

**Investments**

Investments are stated at their readily determinable fair market value in accordance with the *Certain Investments Held by Not-for-Profit Organizations* topic of the FASB Accounting Standards Codification.

**Fair Value Measurements**

The Day Home determines the fair market value of financial assets and liabilities that are required to be carried at such amounts in accordance with the *Fair Value Measurements and Disclosures* topic of the FASB Accounting Standards Codification. 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.

**Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value on the date donated. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Day Home reports expirations of donor restrictions when the donated or acquired assets are placed in service. Purchased property and equipment with cost greater than \$500 and useful lives greater than one year are carried at cost. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets ranging from 3-40 years.

**Reclassifications**

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation.

**New Accounting Pronouncement**

In August 2016, FASB issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Day Home has presented these statements in accordance with the new standard.

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Notes to Financial Statements

*June 30, 2019 and 2018*

**Note 2 – Availability and Liquidity**

The following represents the Day Home's financial assets at June 30, 2019:

Financial Assets:

|   |                  |
|---|------------------|
| Cash  | \$ 90,559        |
| Investments                                 | 899,816          |
| Accounts Receivable - Fees                  | 4,037            |
| Accounts Receivable - Government Assistance | 12,694           |
| Total financial assets at year end:         | <u>1,007,106</u> |

Less amounts not available to be used within on year:

|   |                 |
|---|-----------------|
| Net assets with donor restrictions  | 15,137          |
| Less net assets with time or purpose restrictions to be met in less than a year | <u>(15,137)</u> |
|   | <u>-</u>        |

Financial assets available to meet cash needs for general expenditures within one year \$ 1,007,106

The Day Home's goal is to maintain financial assets to meet 90 days of operating expenses which is estimated by the Day Home to be \$273,000. As part of its liquidity plan, excess cash is invested in securities and money market accounts.

**Note 3 – Investments**

The Day Home holds investments in various accounts. These investments are carried at the fair market value determined on June 30, 2019 and 2018, using quoted market prices. The various types of investments are listed below:

| <b>2019</b>           |                          |                   |  |
|-----------------------|--------------------------|-------------------|--|
|                       | <b>Fair Market Value</b> | <b>Cost</b>       | <b>Cumulative Unrealized Gain (Loss)</b> |
| Interest-Bearing Cash | \$ 46,289                | \$ 46,289         | \$ -                                     |
| Mutual Funds          | 853,527                  | 844,861           | 8,666                                    |
|                       | <u>\$ 899,816</u>        | <u>\$ 891,150</u> | <u>\$ 8,666</u>                          |
| <b>2018</b>           |                          |                   |  |
|                       | <b>Fair Market Value</b> | <b>Cost</b>       | <b>Cumulative Unrealized Gain (Loss)</b> |
| Interest-Bearing Cash | \$ 32,392                | \$ 32,392         | \$ -                                     |
| Mutual Funds          | 895,841                  | 918,204           | (22,363)                                 |
|                       | <u>\$ 928,233</u>        | <u>\$ 950,596</u> | <u>\$ (22,363)</u>                       |

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Notes to Financial Statements

*June 30, 2019 and 2018*

**Note 3 – Investments – Continued**

Investment income for the years ended June 30, 2019 and 2018 consisted of the following:

|                                       | <b>2019</b>      | <b>2018</b>     |
|---------------------------------------|------------------|-----------------|
| Interest and Dividend Income          | \$ 33,073        | \$ 25,288       |
| Realized (Loss) Gain on Investments   | (7,095)          | 24,261          |
| Unrealized (Loss) Gain on Investments | 31,030           | (34,058)        |
| Investment Fees                       | (9,360)          | (7,175)         |
| Total Investment Income               | <u>\$ 47,648</u> | <u>\$ 8,316</u> |

**Note 4 – Fair Value Measurements**

The following assets carried at fair value are reviewed and adjusted on a recurring basis based on quoted market prices. Fair value at June 30, 2019 and 2018 is as follows:

| <b>Asset</b> | <b>Fair Value June 30, 2019</b> | <b>(Level 1)</b> |
|--------------|---------------------------------|------------------|
| Mutual Funds | \$ 853,527                      | \$ 853,527       |

| <b>Asset</b> | <b>Fair Value June 30, 2018</b> | <b>(Level 1)</b> |
|--------------|---------------------------------|------------------|
| Mutual Funds | \$ 895,841                      | \$ 895,841       |

**Note 5 – Net Assets With Donor Restrictions**

Net assets with donor restrictions as of June 30, 2019 and 2018 include the following:

|  | <b>2019</b>      | <b>2018</b>      |
|--|------------------|------------------|
| Literacy                                 | \$ 1,541         | \$ 8,759         |
| Salaries and Professional Development    | 13,596           | 1,403            |
| Other Time Restrictions                  | -                | 15,000           |
| Total Net Assets With Donor Restrictions | <u>\$ 15,137</u> | <u>\$ 25,162</u> |

**Note 6 – Concentrations**

The Day Home is exposed to concentrations of risk regarding grants received from the United Way. During the years ended June 30, 2019 and 2018, the United Way grant represented 10% and 6% of total revenue.

For the year ended June 30, 2018, 54% of total revenues were contributions received from one donor.

**THE KING'S DAUGHTERS DAY HOME**  
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Notes to Financial Statements

*June 30, 2019 and 2018*

**Note 7 – Donated Facilities, Services, and Supplies**

Donated property, equipment, and services are used in the ongoing operations of The Day Home. The value of donated property, equipment, and services included in the financial statements and the corresponding expenditure or asset capitalization for the years ended June 30, 2019 and 2018 are as follows:

| <b>Revenues</b>       | <b>2019</b>      | <b>2018</b>     |
|-----------------------|------------------|-----------------|
| Professional Services | \$ 5,925         | \$ 4,000        |
| Special Events        | 5,000            | 5,000           |
| Total                 | <u>\$ 10,925</u> | <u>\$ 9,000</u> |
| <b>Expenses</b>       | <b>2019</b>      | <b>2018</b>     |
| Professional Fees     | \$ 5,925         | \$ 4,000        |
| Special Events        | 5,000            | 5,000           |
| Total                 | <u>\$ 10,925</u> | <u>\$ 9,000</u> |

**Note 8 – Leases**

The Day Home leases equipment in accordance with the following agreements:

The dishwashing equipment lease is a one year lease that automatically renews each year upon expiration. Monthly lease payments are \$182.

The Xerox copier lease is a sixty month lease that will terminate in October 2022. Monthly lease payments are \$193.

The PODS portable storage unit is a month-to-month lease with monthly payments of \$129.

The following is a schedule by year, of future year's minimum rental payments as of June 30, 2019:

| <b>Year Ending June 30,</b> | <b>Annual Lease Payments</b> |
|-----------------------------|------------------------------|
| 2020                        | \$ 2,316                     |
| 2021                        | 2,316                        |
| 2022                        | 2,316                        |
| 2023                        | 772                          |
| Total                       | <u>\$ 7,720</u>              |

Rental expense was \$8,323 and \$7,183 for the years ended June 30, 2019 and 2018.

**Note 9 – Employee Benefit Plan**

The Day Home maintains a Savings Incentive Match (SIMPLE) Plan. Eligible employees must have worked two of the previous three years to be covered under the plan. The Day Home contributes 2% to the plan for each eligible employee. For the years ended June 30, 2019 and 2018, \$4,380 and \$2,733 in contributions were made to the SIMPLE plan.

**THE KING'S DAUGHTERS DAY HOME**  
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Notes to Financial Statements

*June 30, 2019 and 2018*

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**Note 10 – Line of Credit**

The Day Home has a \$100,000 line of credit with a financial institution. The line is secured by real property. The terms of the line of credit allow the Day Home to borrow funds until October 6, 2026. At that time, any balance plus accrued interest of 4.5% will be due. The balance for the line of credit as of June 30, 2019 and 2018 was \$0.

**Note 11 – Upcoming Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This new accounting guidance will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard is effective for nonpublic entities for fiscal years beginning after December 15, 2019.

In August 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. This standard clarifies the scope and the accounting guidance for contributions received and contributions made. ASU 2018-08 will result in treatment of most federal grants as donor-restricted conditional contributions rather than exchange transactions and applies to all entities that make or receive contributions. This standard is effective for nonpublic entities for fiscal years beginning after December 15, 2020.

The Day Home is currently evaluating the effect that implementation of the new standards will have on its financial position, results of operations, and cash flows.

**Note 12 – 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, 2019 through November 8, 2019, the date the financial statements were available to be issued.



## **Supplementary Information**

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Schedule of Support, Revenues and Expenses - Budget to Actual

*For the Year Ended June 30, 2019*

|  | <b>Actual</b>      | <b>Budget</b>    | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|--|--------------------|------------------|---|
| <b>Support and Revenues</b>                          |                    |                  |   |
| Contributions  | \$ 36,306          | \$ 201,800       | \$ (165,494)                                    |
| United Way   | 108,000            | 108,000          | -   |
| Government Fees and Grants                           | 153,999            | 119,755          | 34,244  |
| Other Grants   | 148,173            | 100,000          | 48,173  |
| Fundraising Events                                   | 32,785             | 64,000           | (31,215)  |
| In-Kind Donations                                    | 10,925             | -                | 10,925  |
| Program Service Fees                                 | 506,782            | 482,700          | 24,082  |
| Interest and Dividend Income                         | 33,073             | -                | 33,073  |
| Realized Gain (Loss) on Investments                  | (7,095)            | -                | (7,095)   |
| Unrealized Gain (Loss) on Investments                | 31,030             | -                | 31,030  |
| Investment Fees                                      | (9,360)            | -                | (9,360)   |
| Total Support and Revenues                           | <u>1,044,618</u>   | <u>1,076,255</u> | <u>(31,637)</u>                                 |
| <b>Expenses</b>                                      |                    |                  |   |
| Communication  | 4,021              | 4,550            | 529   |
| Conferences and Meetings                             | 4,715              | 6,500            | 1,785   |
| Depreciation and Amortization                        | 63,038             | -                | (63,038)  |
| Dues and Subscriptions                               | 3,015              | 2,350            | (665)   |
| Employee Benefits                                    | 33,556             | 35,500           | 1,944   |
| Fees and Licenses                                    | 490                | 250              | (240)   |
| Insurance  | 23,372             | 27,600           | 4,228   |
| Maintenance and Repairs                              | 47,585             | 79,600           | 32,015  |
| Miscellaneous  | 3,387              | 8,250            | 4,863   |
| Occupancy  | 25,142             | 24,050           | (1,092)   |
| Payroll Taxes  | 50,772             | 50,750           | (22)  |
| Professional Fees                                    | 41,052             | 32,900           | (8,152)   |
| Salaries   | 632,041            | 670,400          | 38,359  |
| Special Events                                       | 24,299             | 18,500           | (5,799)   |
| Supplies and General Expenses                        | 74,672             | 73,240           | (1,432)   |
| Teacher Appreciation                                 | 554                | 500              | (54)  |
| Travel   | 313                | 1,315            | 1,002   |
| United Way Grant Expenses                            | 51,527             | 40,000           | (11,527)  |
| Total Expenses                                       | <u>1,083,551</u>   | <u>1,076,255</u> | <u>(7,296)</u>                                  |
| <b>Excess (Deficiency) of Revenues over Expenses</b> | <u>\$ (38,933)</u> | <u>\$ -</u>      | <u>\$ (38,933)</u>                              |

See independent auditors' report.

**THE KING'S DAUGHTERS DAY HOME**  
**d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER**  
Schedule of Support, Revenues and Expenses - Budget to Actual

*For the Year Ended June 30, 2018*

|  | <b>Actual</b>     | <b>Budget</b>    | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|--|-------------------|------------------|---|
| <b>Support and Revenues</b>                          |                   |                  |   |
| Contributions  | \$ 1,083,762      | \$ 57,000        | \$ 1,026,762                                    |
| United Way   | 108,000           | 108,072          | (72)  |
| Government Fees and Grants                           | 90,455            | 95,400           | (4,945)   |
| Other Grants   | 103,735           | 263,845          | (160,110)                                       |
| Fundraising Events                                   | 43,894            | 47,250           | (3,356)   |
| In-Kind Donations                                    | 9,000             | -                | 9,000   |
| Program Service Fees                                 | 392,344           | 447,616          | (55,272)  |
| Interest and Dividend Income                         | 25,288            | -                | 25,288  |
| Realized Gain (Loss) on Investments                  | 24,261            | -                | 24,261  |
| Unrealized Gain (Loss) on Investments                | (34,058)          | -                | (34,058)  |
| Investment Fees                                      | (7,175)           | -                | (7,175)   |
| Total Support and Revenues                           | <u>1,839,506</u>  | <u>1,019,183</u> | <u>820,323</u>                                  |
| <b>Expenses</b>                                      |                   |                  |   |
| Center Development                                   | 50                | -                | (50)  |
| Communication  | 3,843             | 3,700            | (143)   |
| Conferences and Meetings                             | 8,190             | 6,500            | (1,690)   |
| Depreciation and Amortization                        | 58,016            | -                | (58,016)  |
| Dues and Subscriptions                               | 1,315             | 1,150            | (165)   |
| Employee Benefits                                    | 25,759            | 18,328           | (7,431)   |
| Fees and Licenses                                    | 518               | 800              | 282   |
| Insurance  | 24,591            | 22,006           | (2,585)   |
| Maintenance and Repairs                              | 92,826            | 58,740           | (34,086)  |
| Miscellaneous  | 528               | 800              | 272   |
| Occupancy  | 24,216            | 23,000           | (1,216)   |
| Payroll Taxes  | 49,670            | 51,322           | 1,652   |
| Printing   | 955               | 2,500            | 1,545   |
| Professional Fees                                    | 42,606            | 37,200           | (5,406)   |
| Salaries   | 638,536           | 694,237          | 55,701  |
| Special Events                                       | 19,889            | 6,700            | (13,189)  |
| Supplies and General Expenses                        | 70,049            | 66,150           | (3,899)   |
| Teacher Appreciation                                 | 767               | 750              | (17)  |
| Travel   | -                 | 500              | 500   |
| United Way Grant Expenses                            | 27,935            | 24,800           | (3,135)   |
| Total Expenses                                       | <u>1,090,259</u>  | <u>1,019,183</u> | <u>(71,076)</u>                                 |
| <b>Excess (Deficiency) of Revenues over Expenses</b> | <u>\$ 749,247</u> | <u>\$ -</u>      | <u>\$ 749,247</u>                               |

See independent auditors' report.