

**THE KING'S DAUGHTERS DAY HOME**  
**Financial Statements**  
**June 30, 2012**

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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, 2012 and 2011, 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, 2012 and 2011, 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 schedules of support, revenues, and expenses – budget to actual on page 11 are presented for the purpose 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.

*Parker, Parker & Associates*

October 26, 2012

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Financial Position**  
**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 40,566	\$ 38,038
Investments	266,718	296,117
Accounts Receivable - Fees, Net	5,900	1,638
Accounts Receivable - Government Assistance	5,993	10,457
Prepaid Expenses	2,464	1,954
Total Current Assets	<u>321,641</u>	<u>348,204</u>
<b>Property and Equipment</b>		
Land	41,645	30,000
Buildings and Improvements	817,642	556,461
Equipment	98,418	127,607
Construction in Progress	6,552	-
Accumulated Depreciation	<u>(209,861)</u>	<u>(212,953)</u>
Total Property and Equipment	<u>754,396</u>	<u>501,115</u>
 Total Assets	 <u><u>\$ 1,076,037</u></u>	 <u><u>\$ 849,319</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 8,323	\$ 17,846
Payroll Deductions Payable	5,673	4,708
Total Current Liabilities	<u>13,996</u>	<u>22,554</u>
<b>Net Assets</b>		
Unrestricted Net Assets		
Undesignated	<u>1,010,372</u>	<u>807,656</u>
Temporarily Restricted Net Assets	<u>51,669</u>	<u>19,109</u>
Total Net Assets	<u>1,062,041</u>	<u>826,765</u>
Total Liabilities and Net Assets	<u><u>\$ 1,076,037</u></u>	<u><u>\$ 849,319</u></u>

See notes to financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Activities**  
**For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Unrestricted Net Assets</b>		
<b>Public Support</b>		
Contributions	\$ 175,923	\$ 62,094
United Way	108,072	108,072
Government Fees and Grants	94,490	85,925
Other Grants	155,000	85,000
Fundraising Events	54,263	55,530
In-Kind Donations	82,085	1,700
Total Public Support	<u>669,833</u>	<u>398,321</u>
<b>Revenue</b>		
Program Service Fees	157,442	142,262
Interest and Dividend Income	10,721	9,892
Realized Gain/(Loss) on Investments	(19,449)	(4,360)
Unrealized Gain on Investments	11,977	27,971
Total Revenue	<u>160,691</u>	<u>175,765</u>
Total Public Support and Revenue	<u>830,524</u>	<u>574,086</u>
<b>Net Assets Released from Restrictions</b>		
Restrictions Satisfied by Payments	<u>19,109</u>	<u>54,575</u>
Total Public Support, Revenue and Reclassifications	<u>849,633</u>	<u>628,661</u>
<b>Expenses</b>		
Program Services	508,563	489,240
Management and General	120,206	157,183
Fundraising	18,148	24,946
Total Expenses	<u>646,917</u>	<u>671,370</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>202,716</u>	<u>(42,709)</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions	51,669	60,500
Net Assets Released from Restrictions	(19,109)	(54,575)
<b>Increase in Temporarily Restricted Net Assets</b>	<u>32,560</u>	<u>5,925</u>
<b>Increase (Decrease) in Net Assets</b>	235,276	(36,784)
<b>Net Assets - Beginning of Year</b>	<u>826,765</u>	<u>863,549</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 1,062,041</u></u>	<u><u>\$ 826,765</u></u>

See notes to financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2012 and 2011**

	2012			2011		
	Supporting Services			Supporting Services		
	Program Services	Management and General	Fundraising	Program Services	Management and General	Fundraising
	\$	\$	\$	\$	\$	\$
Bad Debt Expense	-	1,182	-	-	1,689	-
Center Development	4,167	-	-	4,061	-	-
Communication	833	1,548	349	855	592	82
Conferences and Meetings	5,329	-	-	5,389	-	-
Depreciation	25,570	2,841	-	-	36,400	-
Dues & Subscriptions	441	263	-	536	319	-
Employee Benefits	5,222	3,813	-	6,775	1,652	-
Fees and Licenses	484	633	-	297	388	-
Insurance	12,131	192	-	13,164	208	-
Maintenance & Repairs	14,643	1,267	-	17,934	1,697	-
Miscellaneous	910	2,680	-	868	927	-
Payroll Taxes	29,910	5,777	-	30,111	6,279	-
Printing	-	-	2,303	-	-	3,165
Professional Fees	3,171	12,683	-	-	12,358	1,000
Salaries	282,512	77,940	-	299,285	83,726	-
Special Events	-	-	15,496	-	-	20,699
Supplies & General Expenses	53,252	9,378	-	53,747	10,940	-
Teacher Appreciation	648	-	-	171	-	-
Travel	118	9	-	103	8	-
United Way Grant Expenses	69,222	-	-	55,943	-	-
Totals	\$ 508,563	\$ 120,206	\$ 18,148	\$ 489,240	\$ 157,183	\$ 24,946
			\$ 646,917			\$ 671,370

See notes to the financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in Net Assets	\$ 235,276	\$ (36,784)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	28,411	36,400
Realized (Gain)/Loss on Investments	19,449	4,360
Unrealized (Gain) on Investments	(11,977)	(27,971)
Reinvested Dividends and Interest, Net of Fees	(8,074)	(9,627)
Donated Property and Equipment	(75,500)	-
(Increase) Decrease in:		
Accounts Receivable - Fees	(4,262)	(744)
Accounts Receivable - Government Assistance	4,464	(316)
Accounts Receivable - Other	-	85
Prepaid Items	(509)	195
Increase (Decrease) in:		
Accounts Payable	(9,523)	9,943
Payroll Deductions Payable	965	1,061
Total Adjustments	<u>(56,556)</u>	<u>13,386</u>
Net Cash Provided (Used) by Operating Activities	<u>178,720</u>	<u>(23,398)</u>
<b>Cash Flows from Investing Activities</b>		
Transfers from Investments	30,000	20,000
Payments for the Purchase of Property	<u>(206,192)</u>	<u>(19,461)</u>
Net Cash Provided (Used) by Investing Activities	<u>(176,192)</u>	<u>539</u>
<b>Net Increase (Decrease) in Cash</b>	2,528	(22,859)
<b>Cash - Beginning of Year</b>	38,038	60,897
<b>Cash - End of Year</b>	<u>\$ 40,566</u>	<u>\$ 38,038</u>
<b>Supplemental Cash Flow Disclosures:</b>		
<b>Non-Cash Investing Transactions:</b>		
Donated Property and Equipment	\$ 75,500	\$ -
Reinvested Dividends on Investments	\$ 8,074	\$ 9,627

See notes to financial statements.

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**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.

Temporarily Restricted Net Assets - 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.

**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. Money funds held with investment brokers are considered investments in the financial statements.

**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. At June 30, 2012 and 2011, the Day Home had no allowance for doubtful 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, 2012 and 2011.

**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

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

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

**H. Contributions- Continued**

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.

**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.

The Center's 2010, 2011 and 2012 Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the Internal Revenue Service, generally for three years from the date filed.

**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 the *Certain Investments Held by Not-for-Profit Organizations* topic of the FASB Accounting Standards Codification.

**L. 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.

**M. Property and Equipment**

Property, plant and equipment with 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, 2012 and 2011 was \$28,411 and \$36,400.

**Note 2. Investments**

The Organization holds investments in various accounts. These investments are carried at the fair market value determined on June 30, 2012 and 2011, using quoted market prices. The various types of investments are listed below:



**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 2. Investments – Continued**

<u>2012</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain(Loss)</u>
Money Funds	\$ 14,880	\$ 14,880	\$ -
Mutual Funds	211,873	216,980	(5,106)
Corporate Bonds	39,965	37,590	2,375
	<u>\$ 266,718</u>	<u>\$ 269,449</u>	<u>\$ (2,731)</u>

  

<u>2011</u>	<u>Fair Market Value</u>	<u>Cost</u>	<u>Cumulative Unrealized Gain(Loss)</u>
Money Funds	\$ 58,747	\$ 58,747	\$ -
Mutual Funds	155,500	176,899	(21,398)
Corporate Bonds	81,870	75,180	6,690
	<u>\$ 296,117</u>	<u>\$ 310,825</u>	<u>\$ (14,708)</u>

**Note 3. 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, 2012 and 2011 is as follows:

<u>Asset</u>	<u>Fair Value June 30, 2012</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 266,718	\$ 266,718

  

<u>Asset</u>	<u>Fair Value June 30, 2011</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 296,117	\$ 296,117

**Note 4. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2012 and 2011 include the following:

	<u>2012</u>	<u>2011</u>
Capital Campaign	\$ 36,530	\$ -
Garden	-	555
Pre-K Classrooms	15,139	16,955
Dollar General	-	1,599
Total Temporarily Restricted	<u>\$ 51,669</u>	<u>\$ 19,109</u>

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 5. Conditional Promise to Give**

During 2012, a donor made a conditional promise to give the Day Home \$50,000 to be used for renovations to the new facility. The Day Home must secure at least \$400,000 in other gifts or pledges for this purpose in order to receive this contribution, but there is no time restriction for which to secure these other gifts or pledges. As of June 30, 2012, the Day Home had raised \$308,000 in gifts or pledges from donors.

The \$50,000 contribution has not been recognized in the accompanying financial statements since the condition was not met as of June 30, 2012.

**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, 2012, the United Way grant represented 12% of total revenues and the DHS grant represented 11% of total revenues. For the year ended June 30, 2011 the United Way grant represented 16% of total revenues and the DHS grants represented 13% of total revenues.

At June 30, 2012 the Day Home's cash accounts did not exceed the Federal Deposit Insurance Corporation insurance coverage.

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

The value of donated facilities and services included in the financial statements and the corresponding property and equipment and expenses for the years ended June 30, 2012 and 2011 are as follows. Refer to Note 10 for related party donations.

<b>Revenues:</b>		
	<b>2012</b>	<b>2011</b>
Donated Capital Items	\$ 75,500	-
Fundraising Events	5,083	6,430
Donated Services	5,961	343
Donated Administrative Expense	624	1,357
Total	<u>\$ 87,168</u>	<u>\$ 8,130</u>
<b>Property, Equipment and Expense:</b>		
	<b>2012</b>	<b>2011</b>
Improvements and Equipment	\$ 75,500	\$ -
Professional Fees	5,961	-
Fundraising Events Expenses	5,083	6,430
Supplies and General Expenses	624	1,700
Total Expenditures	<u>\$ 87,168</u>	<u>\$ 8,130</u>

**Note 8. Leases**

The Day Home leases dishwashing equipment for a monthly lease payment of \$172. The lease is a one year lease that automatically renews each year upon expiration. The following is a schedule by year, of future year's minimum rental payments as of June 30, 2012:

<b>Year Ending June 30,</b>	<b>Annual Lease Payments</b>
2013	\$ 2,064
	<u>\$ 2,064</u>

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2012 and 2011**

**Note 8. Leases - Continued**

Rental expense was \$2,235 for the years ended June 30, 2012 and 2011.

**Note 9. Pension Plan**

The Day Home maintains a Simplified Employee Pension (SEP) Plan. Eligible employees must have worked two of the previous three years to be covered under the plan. For the years ended June 30, 2012 and 2011, \$3,725 and \$4,533 in contributions were made to the SEP plan.

**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, 2012 through October 26, 2012, 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**  
**Schedules of Support, Revenue and Expenses - Budget to Actual**  
**For the Years Ended June 30, 2012 and 2011**

	2012			2011		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
<b>Support and Revenue</b>						
Contributions	\$ 227,592	\$ 106,150	\$ 121,442	\$ 122,594	\$ 220,000	\$ (97,406)
United Way	108,072	108,072	-	108,072	108,000	72
Government Fees and Grants	94,490	90,732	3,758	85,925	83,000	2,925
Other Grants	155,000	115,000	40,000	85,000	25,000	60,000
Fundraising Events	54,263	61,500	(7,237)	55,530	50,000	5,530
Donated Facilities, Services & Supplies	82,085	-	82,085	1,700	-	1,700
Program Service Fees	157,442	150,006	7,436	142,262	150,000	(7,738)
Interest/Investment Income	10,721	24,000	(13,279)	9,892	17,400	(7,508)
Realized Gain on Investments	(19,449)	-	(19,449)	(4,360)	-	(4,360)
Unrealized Gain/(Loss) on Investments	11,977	-	11,977	27,971	-	27,971
Total Support and Revenue	<u>882,193</u>	<u>655,461</u>	<u>226,732</u>	<u>634,586</u>	<u>653,400</u>	<u>(18,814)</u>
<b>Expenses</b>						
Bad Debt Expense	1,182	-	(1,182)	1,689	-	(1,689)
Center Development	4,167	5,000	833	4,061	7,000	2,939
Communication	2,730	2,908	178	1,529	3,302	1,773
Conferences and Meetings	5,329	5,755	426	5,389	2,700	(2,689)
Depreciation	28,411	-	(28,411)	36,400	-	(36,400)
Dues & Subscriptions	704	785	81	855	300	(555)
Employee Benefits	9,035	17,857	8,822	8,427	29,675	21,248
Fees and Licenses	1,117	531	(586)	685	633	(52)
Insurance	12,323	13,614	1,291	13,372	13,339	(33)
Maintenance & Repairs	15,910	19,127	3,217	19,631	17,412	(2,219)
Miscellaneous	3,590	3,812	222	1,795	9,071	7,276
Payroll Taxes	35,687	37,411	1,724	36,390	33,154	(3,236)
Printing	2,303	2,500	197	3,165	2,182	(983)
Professional Fees	15,854	12,342	(3,512)	13,358	11,298	(2,060)
Salaries	360,452	395,376	34,924	383,011	398,450	15,440
Special Events	15,496	12,500	(2,996)	20,699	10,000	(10,699)
Supplies and General Expenses	62,630	63,305	675	64,687	62,054	(2,633)
Teacher Appreciation	648	1,000	352	171	-	(171)
Travel	127	3,500	3,373	111	340	229
United Way Grant Expenses	69,222	50,723	(18,499)	55,943	47,800	(8,143)
Total Expenses	<u>646,917</u>	<u>648,045</u>	<u>1,128</u>	<u>671,370</u>	<u>648,710</u>	<u>(22,660)</u>
<b>Excess (Deficit) of Revenues over Expenses</b>	<u>\$ 235,276</u>	<u>\$ 7,415</u>	<u>\$ 227,861</u>	<u>\$ (36,784)</u>	<u>\$ 4,690</u>	<u>\$ (41,475)</u>

See independent auditors' report.