McNEILLY CENTER FOR CHILDREN, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019

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McNEILLY CENTER FOR CHILDREN, INC.
Roster of Board Members
June 30, 2019

Executive Board Directors

Chris Puri, Chair
Olivia Huggins, Vice-Chair
Courtney Bach, CPA, Treasurer
Adam Corey Jarvis, Secretary
Nelda Fulghum, Executive Director

Directors

Becca Arnold
Barbara Decker
Stephanie Grounder
Stratton Huggins
Marty Mayer
Whitney Schickling
Brooks Spellings
Jack C. Thompson
Diana Fassbender
Alisha Haddock
Cassie Renease Perkins
Sherry McHale

COWART REESE SARGENT
Certified Public Accountants, P.C.

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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, 2019, 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.

Auditors' 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. 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, 2019, 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.

Change in Accounting Principle

As discussed in Note 9 to the financial statements, in 2019 the Organization adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-for-Profit Entities. As a result, the unrestricted net assets as of June 30, 2018, in the amount of $1,373,332 is now classified on the financial statements as net assets without donor restrictions, and the temporarily restricted net assets in the amount of $11,491 is now classified as net assets with donor restrictions. Our opinion is not modified with respect to this matter.

Cowart Reese Sargent

Cowart Reese Sargent, CPAs, P.C.
Jackson, TN

January 15, 2020

McNEILLY CENTER FOR CHILDREN, INC
Statement of Financial Position
June 30, 2019

ASSETS	Without Donor Restrictions	With Donor Restrictions	Total
Current Assets			
Cash & Cash Equivalents	$ 307,301	$ 19,347	$ 326,648
Tuition Receivable	9,748	-	9,748
Allowance for Tuition Receivable	(5,342)	-	(5,342)
Accounts Receivable - Programs	108,738	-	108,738
Prepaid Expenses	8,878	-	8,878
Total Current Assets	429,323	19,347	448,670
Long Term Investments			
Certificates of Deposit	753,063	-	753,063
Community Foundation	137,110	-	137,110
	890,173		890,173
Property and Equipment - at cost			
Land	31,000	-	31,000
Building	1,040,029	-	1,040,029
Equipment	360,498	-	360,498
	1,431,527	-	1,431,527
Less Accumulated Depreciation	(1,119,208)	-	(1,119,208)
Net Fixed Assets	312,319	-	312,319
TOTAL ASSETS	$ 1,631,815	$ 19,347	$ 1,651,162
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	$ 26,148	$ -	$ 26,148
Accrued Salaries and Benefits	125,338	-	125,338
Unearned Grant Revenue	11,020	-	11,020
Total Current Liabilities	162,506	-	162,506
TOTAL LIABILITIES	162,506	-	162,506
Net Assets			
Net Assets - undesignated	716,246	19,347	735,593
Net Assets - designated	753,063	-	753,063
TOTAL NET ASSETS	1,469,309	19,347	1,488,656
TOTAL LIABILITIES AND NET ASSETS	$ 1,631,815	$ 19,347	$ 1,651,162

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, 2019

SUPPORT & REVENUE	Without Donor Restrictions	With Donor Restrictions	Total
USDA - Child Care Food Program	$ 237,873	$ -	$ 237,873
DHS Revenues	663,554	-	663,554
United Way	376,129	-	376,129
Client Fee	505,683	-	505,683
Special Events and Other Fundraising	72,721	-	72,721
Grant Revenue	140,000	132,750	272,750
Gifts	10,110	-	10,110
Early HeadStart	426,400	-	426,400
Investment Income/(Loss) - Endowment (Net of Trust Fees $1,250)	6,831	-	6,831
Interest Income	9,129	-	9,129
Net Assets Released via Satisfaction of donor restrictions	124,894	(124,894)	-
Total Support & Revenue	2,573,324	7,856	2,581,180
EXPENSES			
Program Services:			
Child Day Care	2,216,883	-	2,216,883
Supporting Services:			
Management and General	171,413	-	171,413
Fundraising	89,051	-	89,051
Total Expenses	2,477,347	-	2,477,347
Increase(Decrease) in Net Assets	95,977	7,856	103,833
Net Assets -			
Beginning of year	1,373,332	11,491	1,384,823
End of Year	$ 1,469,309	$ 19,347	$ 1,488,656

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, 2019

	PROGRAM SERVICES	SUPPORTING SERVICES			
	Child Day Care	Management & General	Fund Raising	Total	Total Expenses
Salaries	$ 1,413,766	$ 116,671	$ 71,226	$ 187,897	$ 1,601,663
Fringe Benefits	200,650	14,423	6,535	20,958	221,608
Travel	10,105	1,670	-	1,670	11,775
Communication	4,440	398	398	796	5,236
Occupancy	193,743	5,927	575	6,502	200,245
Professional Services	12,056	25,627	2,382	28,009	40,065
Supplies	88,214	715	-	715	88,929
Repairs & Maintenance	23,634	75	-	75	23,709
Food Costs	208,428	-	-	-	208,428
Printing & Publications	2,607	797	-	797	3,404
Postage	-	299	-	299	299
Bad Debt Expense	2,890	-	-	-	2,890
Training & Meetings	5,320	1,160	-	1,160	6,480
Enrichment / Field Trips	15,275	-	-	-	15,275
Dues & Licenses	581	1,444	-	1,444	2,025
Minor Equipment Purchases	13,777	2,187	-	2,187	15,964
Interest Expense	-	-	-	-	-
Depreciation Expense	20,812	-	-	-	20,812
Miscellaneous	585	20	7,935	7,955	8,540
(Gain)/Loss on Disposal of Fixed Assets	-	-	-	-	-
TOTAL FUNCTIONAL EXPENSES	$ 2,216,883	$ 171,413	$ 89,051	$ 260,464	$ 2,477,347

The accompanying notes are an integral part of the financial statements.

McNEILLY CENTER FOR CHILDREN, INC

Statement of Cash Flows

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Cash Flow from Operating Activities:			
Changes in net assets	$ 95,977	$ 7,856	$ 103,833
Adjustments to reconcile change in net assets to net cash used by			
Operating activities:			
Depreciation	20,812	-	20,812
(Gain)/Loss on the disposal of assets	-	-	-
Unrealized (Gain)/Loss on investments	(5,950)	-	(5,950)
Bad debt expense	2,890	-	2,890
CD interest accrued	(3,063)		
(Increase) Decrease in accounts and tuition receivable	(14,669)	-	(14,669)
(Increase) Decrease prepaid expenses	197	-	197
Increase (Decrease) in accounts payable	(6,706)	-	(6,706)
Increase (Decrease) in salaries and wages payable	(8,435)	-	(8,435)
Increase (Decrease) in unearned revenue	(143)	-	(143)
Net cash provided (used) by operating activities	80,910	7,856	91,829
Cash Flow from Investing Activities:			
Purchase of Investments	(750,000)	-	(750,000)
Proceeds from sales of investments	6,600	-	6,600
Purchase of property and equipment	(24,925)	-	(24,925)
Proceeds from sales of property and equipment	-	-	-
Net cash provided (used) by investing activities	(768,325)	-	(768,325)
Net increase (decrease) in cash and cash equivalents	(687,415)	7,856	(679,559)
Cash and cash equivalents at beginning of year	994,716	11,491	1,006,207
Cash and cash equivalents at end of year	$ 307,301	$ 19,347	$ 326,648

Supplemental Data:

Interest paid $ -

The accompanying notes are an integral part of the financial statements.

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 six weeks to five years. 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.

Financial Statement Presentation
Financial Statements of the Organization are presented on the accrual basis of accounting in accordance with generally accepted accounting principles for non-profit organizations.

The Organization has adopted FASB ASC 958-210. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. In addition, the Organization is required to present a statement of functional expenses and a statement of cash flows. As permitted by the statement, the Organization does not use fund accounting.

Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and change therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.
Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or may not be met either by actions of the Organization and/or the passage of time. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

State grants and other revenues which are restricted for the stated uses by the Organization are reported as revenue without donor restrictions when these funds are received and spent during the same year as permitted by ASC 958-210.

Contributions
Contributions received are recorded as without or with donor restrictions, 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 net assets with donor restrictions. 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 statement of activities as net assets released from restriction. Contributions for which the donor's restrictions are met in the same period in which the gift is received are reported as support without donor restrictions.

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, 2019, the Board of Directors had designated $137,110 of net assets without donor restriction 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 net assets without donor restrictions. Per the contract with the fiduciary, up to 5% of the fund is able to be spent annually.

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over $5,000. 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 contributions without donor 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 net assets with donor restrictions to net assets without donor restrictions 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, 2019, accounts receivable from the following agencies were as follows:

Head Start/Early Head Start	$	31,200
DHS		59,616
CACFP		16,084
Other		1,838
Total	$	108,738

4. FIXED ASSETS

The following changes in fixed assets occurred during the period July 1, 2018, through June 30, 2019:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Land	$ 31,000	$ -	$ -	$ 31,000
Building	1,015,104	24,925	-	1,040,029
Equipment	399,702	-	39,204	360,498
Total	1,445,806	24,925	39,204	1,431,527
Accumulated Depreciation	(1,137,601)	(20,811)	(39,204)	(1,119,208)
Total Net Fixed Assets	$ 308,205	$ 4,114	$ -	$ 312,319

Depreciation expense for the year ended June 30, 2019, was $20,812.

5. LONG-TERM INVESTMENTS

Investment assets consist partially of securities held by The Community Foundation of Middle Tennessee. 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, 2019, are as follows:

		June 30, 2018	
Investment	Cost	Market Value	Unrealized Appreciation (Depreciation)
Community Foundation Account	$ 123,589	$ 137,110	$ 13,521
Grand Total	$ 123,589	$ 137,110	$ 13,521

The following schedule summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2019:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Long Term Investments	$ 137,110	$ -	$ -	$ 137,110

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2019:

	Without Donor Restrictions Board Designated
Interest & Dividend Income	$ 2,131
Net Realized & Unrealized Gains (Losses)	5,950
Investment Fees	(1,250)
Total	$ 6,831

5. LONG-TERM INVESTMENTS (CONTINUED)

Changes in Endowment (Board Designated) net assets as of June 30, 2019, are as follows:

	Amount
Endowment net assets, beginning of year	$ 136,879
Investment Return (see above)	6,831
Withdrawls	(6,600)
Endowment net assets, end of year	$ 137,110

Long-term investments also consist of Certificates of Deposit (CDs). These CDs have interest rates ranging from 2.62% to 3.21%, and maturity dates ranging from October 14, 2020 to June 14, 2022. The balance of these CDs at June 30, 2019 (including accrued interest income) was $753,063.

6. COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation depending on length of service. The Organization advances vacation leave to employees at the beginning of each fiscal year on July 1. Unused vacation leave can be carried forward past the Organization's fiscal year end June 30. Therefore, $47,151, of vacation leave was due to employees at June 30, 2019. 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. Eligible employees may make voluntary contributions to the plan subject to Internal Revenue Service limitations. The Organization may make discretionary contributions to the plan for eligible employees.

Amounts contributed by the Organization to the plan for the year ended June 30, 2018 was $4,281.

8. LEASES

The Organization leases space on a month-to-month basis. Lease expense for the year ending June 30, 2019, was $58,000.

9. SPECIAL EVENTS

The Organization hosts a Summer Event fundraiser. The following schedule presents the revenue and expense associated with that event:

Actual revenue received by Organization for special event:	$	39,970
Actual expenses Organization incurred for special event:		(1,843)
Net Amount	$	38,127

10. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances and certificates of deposit at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to $250,000. The Organization has not experienced any loss in such accounts. As of June 30, 2019, the uninsured balance is $826,648. The Organization believes it is not exposed to any significant credit risk on its cash balances.

11. NEW ACCOUNTING PRONOUNCEMENT

Recently Adopted Accounting Standard: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-for-Profit Entities. This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities, and misunderstandings about and opportunities to enhance the utility of the statement of cash flows.

ASU 2016-14 is effective for fiscal years beginning after December 15, 2017 and, therefore, is adopted by McNeilly Center for Children, Inc. during the fiscal year ending June 30, 2019. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity and availability of financial resources has also been added (Note 10).

The accompanying information from the fiscal year end June 30, 2018, financial statements has been restated to conform to the 2018 presentation and disclosure requirements of ASU 2016-14. As a result, the unrestricted net assets as of June 30, 2018, in the amount of $1,373,332 is now classified on the financial statements as net assets without donor restrictions, and the temporarily restricted net assets in the amount of $11,491 is now classified as net assets with donor restrictions.

12. LIQUIDITIY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2019, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

		June 30, 2019
Cash and Cash Equivalents		$ 326,648
Accounts/Grants Receivable		108,640
	Total	435,288
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		(19,347)
Finanical assets available to meet cash needs for general expenditures within one year.		$ 415,941

As of December 31, 2018, $19,347 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $412,891. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition to the current assets in the table above, the Organization could access the certificates of deposit mentioned in Note 5.

13. SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through January 15, 2020, the date which the financial statements were available to be issued.

- END OF NOTES -

McNEILLY CENTER FOR CHILDREN, INC.
Schedule of Findings and Responses
For the year ending June 30, 2019

Financial Statement Findings

No current year findings noted

McNEILLY CENTER FOR CHILDREN, INC.
Schedule of Prior Year Findings
For the year ending June 30, 2019

Prior Year Findings

None noted