

**THE KING'S DAUGHTERS DAY HOME**  
**Financial Statements**  
**June 30, 2014**

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**Contents**

	<u><b>Page</b></u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9
<b>Supplementary Information</b>	
Schedules of Support, Revenues and Expenses - Budget to Actual	10

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## *Independent Auditors' Report*

To the Board of Directors of  
The King's Daughters Day Home

We have audited the accompanying financial statements of The King's Daughters Day Home (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and 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.

### **Auditor's 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 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The King's Daughter Day Home as of June 30, 2014 and 2013, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of support, revenues and expenses – budget to actual on page 10 are presented for purposes of additional analysis and are 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.

*Parker, Parker & Associates*

November 10, 2014

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Financial Position**  
**June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 791,516	\$ 491,151
Investments	233,426	254,082
Accounts Receivable - Fees, Net	8,353	6,498
Accounts Receivable - Government Assistance	13,764	6,816
Grants Receivable	17,352	-
Prepaid Expenses	1,794	3,681
Total Current Assets	<u>1,066,206</u>	<u>762,228</u>
<b>Property and Equipment</b>		
Land	207,476	207,476
Buildings and Improvements	636,424	639,136
Equipment	90,719	89,358
Construction in Progress	61,307	17,491
Accumulated Depreciation	(243,188)	(218,432)
Total Property and Equipment	<u>752,738</u>	<u>735,029</u>
 Total Assets	 <u><u>\$ 1,818,944</u></u>	 <u><u>\$ 1,497,257</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 10,776	\$ 15,062
Payroll Deductions Payable	4,722	5,296
Total Current Liabilities	<u>15,498</u>	<u>20,358</u>
<b>Net Assets</b>		
Unrestricted	898,840	919,025
Temporarily Restricted	904,606	557,874
Total Net Assets	<u>1,803,446</u>	<u>1,476,899</u>
Total Liabilities and Net Assets	<u><u>\$ 1,818,944</u></u>	<u><u>\$ 1,497,257</u></u>

See notes to financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Activities**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Unrestricted Net Assets</b>		
<b>Public Support</b>		
Contributions	\$ 167,337	\$ 68,700
United Way	108,073	108,072
Government Fees and Grants	88,495	99,496
Other Grants	40,000	77,549
Fundraising Events	34,196	47,419
In-Kind Donations	4,400	4,300
Total Public Support	<u>442,501</u>	<u>405,536</u>
<b>Revenue</b>		
Program Service Fees	154,730	142,362
Interest and Dividend Income	10,732	11,175
Realized Gain(Loss) on Investments	4,003	(203)
Unrealized Gain on Investments	13,041	4,805
Loss on Disposal of Equipment	(1,833)	(3,187)
Miscellaneous Revenue	3,250	-
Total Revenue	<u>183,923</u>	<u>154,952</u>
Total Public Support and Revenue	<u>626,424</u>	<u>560,488</u>
<b>Net Assets Released from Restrictions</b>		
Restrictions Satisfied by Payments	<u>65,172</u>	<u>28,383</u>
Total Public Support, Revenue and Reclassifications	<u>691,596</u>	<u>588,871</u>
<b>Expenses</b>		
Program Services	568,879	565,048
Management and General	131,687	103,674
Fundraising	11,215	11,496
Total Expenses	<u>711,781</u>	<u>680,218</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>(20,185)</u>	<u>(91,347)</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions	411,904	534,588
Net Assets Released from Restrictions	(65,172)	(28,383)
<b>Increase in Temporarily Restricted Net Assets</b>	<u>346,732</u>	<u>506,205</u>
<b>Increase in Net Assets</b>	326,547	414,858
<b>Net Assets - Beginning of Year</b>	<u>1,476,899</u>	<u>1,062,041</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 1,803,446</u></u>	<u><u>\$ 1,476,899</u></u>

See notes to financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2014 and 2013**

	2014				2013			
	Supporting Services		Supporting Services		Supporting Services		Supporting Services	
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Bad Debt Expense	-	3,992	-	3,992	-	5,193	-	5,193
Center Development	12,928	-	-	12,928	5,239	-	-	5,239
Communications	665	1,095	195	1,955	575	1,611	106	2,292
Conferences and Meetings	9,145	-	-	9,145	5,276	-	-	5,276
Depreciation	23,072	2,564	-	25,636	26,289	2,921	-	29,210
Dues & Subscriptions	479	286	-	765	607	339	-	946
Employee Benefits	8,501	3,399	-	11,900	11,039	3,338	-	14,377
Fees and Licenses	338	442	-	780	270	352	-	622
Insurance	12,829	203	-	13,032	12,362	195	-	12,557
Maintenance & Repairs	15,421	1,448	-	16,869	18,754	1,404	-	20,158
Miscellaneous	32	2,403	-	2,435	966	2,710	-	3,676
Payroll Taxes	32,314	6,111	-	38,425	32,044	4,589	-	36,633
Printing	-	-	2,483	2,483	-	-	1,923	1,923
Professional Fees	3,912	15,649	-	19,561	3,102	12,408	990	16,500
Salaries	356,583	79,877	-	436,460	356,611	59,984	-	416,595
Special Events	-	-	8,537	8,537	-	-	8,477	8,477
Supplies & General Expenses	69,274	14,213	-	83,487	57,093	8,617	-	65,709
Teacher Appreciation	231	-	-	231	206	-	-	206
Travel	63	5	-	68	179	14	-	193
United Way Grant Expenses	23,092	-	-	23,092	34,436	-	-	34,436
<b>Totals</b>	<b>\$568,879</b>	<b>\$ 131,687</b>	<b>\$ 11,215</b>	<b>\$ 711,781</b>	<b>\$ 565,048</b>	<b>\$ 103,674</b>	<b>\$ 11,496</b>	<b>\$ 680,218</b>

See notes to the financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	\$ 326,547	\$ 414,858
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	25,636	29,210
Realized (Gain)/Loss on Investments	(4,003)	203
Unrealized Gain on Investments	(13,041)	(4,805)
Loss on Disposal of Equipment	1,833	3,187
Reinvested Dividends and Interest, Net of Fees	(7,300)	(7,762)
(Increase) Decrease in:		
Accounts Receivable - Fees	(1,855)	(598)
Accounts Receivable - Government Assistance	(6,948)	(823)
Grants Receivable	(17,352)	-
Prepaid Expenses	1,887	(1,217)
Increase (Decrease) in:		
Accounts Payable	(4,287)	6,739
Payroll Deductions Payable	(574)	(377)
Total Adjustments	<u>(26,004)</u>	<u>23,757</u>
Net Cash Provided by Operating Activities	<u>300,543</u>	<u>438,615</u>
<b>Cash Flows from Investing Activities</b>		
Transfers from Investments	45,000	25,000
Payments for the Purchase of Property	<u>(45,178)</u>	<u>(13,030)</u>
Net Cash Provided/(Used) by Investing Activities	<u>(178)</u>	<u>11,970</u>
<b>Net Increase in Cash</b>	300,365	450,585
<b>Cash - Beginning of Year</b>	491,151	40,566
<b>Cash - End of Year</b>	<u>\$ 791,516</u>	<u>\$ 491,151</u>
<b>Supplemental Cash Flow Disclosures:</b>		
<b>Non-Cash Investing Transactions:</b>		
Reinvested Dividends on Investments	\$ 7,300	\$ 7,762

See notes to financial statements.

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**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, 2014 and 2013, 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, 2014 and 2013.

**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, 2014 and 2013**

**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 2011, 2012 and 2013 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**

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, plant 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 as follows:

Buildings and Improvements	10 - 40 Years
Equipment	3 - 7 Years
Vehicles	5 Years

Depreciation expense for the years ending June 30, 2014 and 2013 was \$25,636 and \$29,210.

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**Note 2. Investments**

The Organization holds investments in various accounts. These investments are carried at the fair market value determined on June 30, 2014 and 2013, using quoted market prices. The various types of investments are listed below:

<b>2014</b>			
	<b>Fair Market Value</b>	<b>Cost</b>	<b>Cumulative Unrealized Gain(Loss)</b>
Money Funds	\$ 4,306	\$ 4,306	\$ -
Mutual Funds	229,120	213,996	15,124
	<u>\$ 233,426</u>	<u>\$ 218,302</u>	<u>\$ 15,124</u>
<b>2013</b>			
	<b>Fair Market Value</b>	<b>Cost</b>	<b>Cumulative Unrealized Gain(Loss)</b>
Money Funds	\$ 25,853	\$ 25,853	\$ -
Mutual Funds	215,534	213,645	1,889
Corporate Bonds	12,695	12,500	195
	<u>\$ 254,082</u>	<u>\$ 251,998</u>	<u>\$ 2,084</u>

Investment fees for the years ending June 30, 2014 and 2013 were \$2,240 and \$2,514.

**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, 2014 and 2013 is as follows:

<b>Asset</b>	<b>Fair Value June 30, 2014</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
Investments	\$ 233,426	\$ 233,426
<b>Asset</b>	<b>Fair Value June 30, 2013</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
Investments	\$ 254,082	\$ 254,082

**Note 4. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2014 and 2013 include the following:

	<b>2014</b>	<b>2013</b>
Capital Projects	\$826,494	\$ 526,923
After-School Program	24,333	27,000
Staff Training	33,163	-
Parent College Assistance	15,000	-
Summer Literacy Program	2,183	-
Pre-K Classrooms	1,934	2,451
Legacy Trees	1,500	1,500
Total Temporarily Restricted	<u>\$ 904,606</u>	<u>\$ 557,874</u>

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2014 and 2013**

**Note 5. Concentration of Risk**

The Day Home is exposed to concentrations of risk regarding grants received from the United Way. During the year ended June 30, 2014 and 2013, the United Way grant represented 11% and 10% of total revenues, respectively.

For the years ended June 30, 2014 and 2013, 30% and 37% of total revenues were received in contributions from one donor.

At June 30, 2014 and 2013 the Day Home's cash accounts exceeded the Federal Deposit Insurance Corporation insurance coverage by \$550,425 and \$243,337, respectively.

**Note 6. Donated Facilities, Services and Supplies**

The value of donated facilities and services included as in kind donations in the financial statements and the corresponding expenses for the years ended June 30, 2014 and 2013 were for professional services totaling \$4,400 and \$4,300, respectively.

**Note 7. Leases**

The Day Home leases dishwashing equipment for a monthly lease payment of \$172 and a Xerox copier for a monthly lease payment of \$141. The dishwashing equipment lease is a one year lease that automatically renews each year upon expiration. The Xerox copier lease is a sixty month lease that will terminate in October 2017. The following is a schedule by year, of future year's minimum rental payments as of June 30, 2014:

<b>Year Ending June 30,</b>	<b>Annual Lease Payments</b>
2015	1,692
2016	1,692
2017	423
Total	<u>\$ 3,807</u>

Rental expense was \$6,588 and \$3,798 for the years ended June 30, 2014 and 2013.

**Note 8. 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. The Day Home contributes 2% to the plan for each eligible employee. For the years ended June 30, 2014 and 2013, \$2,240 and \$2,690 in contributions were made to the SEP plan.

**Note 9. 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, 2014 through November 10, 2014, 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, 2014 and 2013**

	2014			2013		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
<b>Support and Revenue</b>						
Contributions	\$ 579,241	\$ 235,500	\$ 343,741	\$ 603,288	\$ 252,300	\$ 350,988
United Way	108,073	108,073	-	108,072	108,072	-
Government Fees and Grants	88,496	86,000	2,496	99,496	95,500	3,996
Other Grants	40,000	-	40,000	77,549	-	77,549
Fundraising Events	34,196	57,000	(22,804)	47,419	55,500	(8,081)
Donated Facilities, Services & Supplies	4,400	4,300	100	4,300	4,200	100
Program Service Fees	154,726	170,065	(15,339)	142,362	173,120	(30,758)
Interest/Investment Income	10,732	15,000	(4,268)	11,175	8,000	3,175
Realized Gain on Investments	4,003	-	4,003	(203)	-	(203)
Unrealized Gain/(Loss) on Investments	13,041	-	13,041	4,805	-	4,805
Loss on Disposal of Equipment	(1,833)	-	(1,833)	(3,187)	-	(3,187)
Miscellaneous Revenue	3,250	-	3,250	-	-	-
Total Support and Revenue	<u>1,038,325</u>	<u>675,938</u>	<u>362,387</u>	<u>1,095,076</u>	<u>696,692</u>	<u>398,384</u>
<b>Expenses</b>						
Bad Debt Expense	3,992	-	(3,992)	5,193	-	(5,193)
Center Development	12,928	6,000	(6,928)	5,239	5,000	(239)
Communication	1,955	3,300	1,345	2,292	2,800	508
Conferences and Meetings	9,145	4,669	(4,476)	5,276	5,800	524
Depreciation	25,636	-	(25,636)	29,210	-	(29,210)
Dues & Subscriptions	765	100	(665)	946	1,000	54
Employee Benefits	11,900	15,500	3,600	14,377	12,500	(1,877)
Fees and Licenses	780	600	(180)	622	900	278
Insurance	13,032	12,300	(732)	12,557	12,154	(403)
Maintenance & Repairs	16,869	16,900	31	20,158	25,600	5,442
Miscellaneous	2,434	4,790	2,356	3,676	3,925	249
Payroll Taxes	38,426	38,922	496	36,633	38,775	2,142
Printing	2,483	2,400	(83)	1,923	2,500	577
Professional Fees	19,560	15,800	(3,760)	16,500	16,450	(50)
Salaries	436,460	444,009	7,549	416,595	436,274	19,679
Special Events	8,537	11,200	2,663	8,477	13,200	4,723
Supplies and General Expenses	83,486	66,948	(16,538)	65,709	67,800	2,091
Teacher Appreciation	231	1,000	769	206	1,000	794
Travel	68	1,500	1,432	193	3,000	2,807
United Way Grant Expenses	23,092	30,000	6,908	34,436	30,000	(4,436)
Total Expenses	<u>711,779</u>	<u>675,938</u>	<u>(35,841)</u>	<u>680,218</u>	<u>678,678</u>	<u>(1,540)</u>
<b>Excess (Deficit) of Revenues over Expenses</b>	<u>\$ 326,547</u>	<u>\$ -</u>	<u>\$ 326,547</u>	<u>\$ 414,858</u>	<u>\$ 18,014</u>	<u>\$ 396,844</u>

See independent auditors' report.