

**THE KING'S DAUGHTERS DAY HOME**  
**Financial Statements**  
**June 30, 2013**

**Contents**

	<b><u>Page</u></b>
<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 - 10
<b>Supplementary Information</b>	
Schedules of Support, Revenues and Expenses - Budget to Actual	11

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## *Independent Auditor's 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, 2013 and 2012, 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 Daughters Day Home as of June 30, 2013 and 2012, 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 11 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.

December 6, 2013

*Parker, Parker & Associates*

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Financial Position**  
**June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 491,151	\$ 40,566
Investments	254,082	266,718
Accounts Receivable - Fees, Net	6,498	5,900
Accounts Receivable - Government Assistance	6,816	5,993
Prepaid Expenses	3,681	2,464
Total Current Assets	<u>762,228</u>	<u>321,641</u>
<b>Property and Equipment</b>		
Land	207,476	207,476
Buildings and Improvements	639,136	651,811
Equipment	89,358	98,418
Construction in Progress	17,491	6,552
Accumulated Depreciation	<u>(218,432)</u>	<u>(209,861)</u>
Total Property and Equipment	<u>735,029</u>	<u>754,396</u>
Total Assets	<u><u>\$ 1,497,257</u></u>	<u><u>\$ 1,076,037</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 15,062	\$ 8,323
Payroll Deductions Payable	<u>5,296</u>	<u>5,673</u>
Total Current Liabilities	<u>20,358</u>	<u>13,996</u>
<b>Net Assets</b>		
Unrestricted	919,025	1,010,372
Temporarily Restricted	<u>557,874</u>	<u>51,669</u>
Total Net Assets	<u>1,476,899</u>	<u>1,062,041</u>
Total Liabilities and Net Assets	<u><u>\$ 1,497,257</u></u>	<u><u>\$ 1,076,037</u></u>

See notes to financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Activities**  
**For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Unrestricted Net Assets</b>		
<b>Public Support</b>		
Contributions	\$ 68,700	\$ 175,923
United Way	108,072	108,072
Government Fees and Grants	99,496	94,490
Other Grants	77,549	155,000
Fundraising Events	47,419	54,263
In-Kind Donations	4,300	82,085
Total Public Support	<u>405,536</u>	<u>669,833</u>
<b>Revenue</b>		
Program Service Fees	142,362	157,442
Interest and Dividend Income	11,175	10,721
Realized Loss on Investments	(203)	(19,449)
Unrealized Gain on Investments	4,805	11,977
Loss on Disposal of Equipment	(3,187)	-
Total Revenue	<u>154,952</u>	<u>160,691</u>
Total Public Support and Revenue	<u>560,488</u>	<u>830,524</u>
<b>Net Assets Released from Restrictions</b>		
Restrictions Satisfied by Payments	<u>28,383</u>	<u>19,109</u>
Total Public Support, Revenue and Reclassifications	<u>588,871</u>	<u>849,633</u>
<b>Expenses</b>		
Program Services	565,048	508,563
Management and General	103,674	120,206
Fundraising	11,496	18,148
Total Expenses	<u>680,218</u>	<u>646,917</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>(91,347)</u>	<u>202,716</u>
<b>Temporarily Restricted Net Assets</b>		
Contributions	534,588	51,669
Net Assets Released from Restrictions	(28,383)	(19,109)
<b>Increase in Temporarily Restricted Net Assets</b>	<u>506,205</u>	<u>32,560</u>
<b>Increase in Net Assets</b>	414,858	235,276
<b>Net Assets - Beginning of Year</b>	<u>1,062,041</u>	<u>826,765</u>
<b>Net Assets - End of Year</b>	<u>\$ 1,476,899</u>	<u>\$ 1,062,041</u>

See notes to financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Functional Expenses**  
**For the Years Ended June 30, 2013 and 2012**

	2013				2012			
	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	-	5,193	-	5,193	-	1,182	-	1,182
Center Development	5,239	-	-	5,239	4,167	-	-	4,167
Communication	575	1,611	106	2,292	833	1,548	349	2,730
Conferences and Meetings	5,276	-	-	5,276	5,329	-	-	5,329
Depreciation	26,289	2,921	-	29,210	25,570	2,841	-	28,411
Dues & Subscriptions	607	339	-	946	441	263	-	704
Employee Benefits	11,039	3,338	-	14,377	5,222	3,813	-	9,035
Fees and Licenses	270	352	-	622	484	633	-	1,117
Insurance	12,362	195	-	12,557	12,131	192	-	12,323
Maintenance & Repairs	18,754	1,404	-	20,158	14,643	1,267	-	15,910
Miscellaneous	966	2,710	-	3,676	910	2,680	-	3,590
Payroll Taxes	32,044	4,589	-	36,633	29,910	5,777	-	35,687
Printing	-	-	1,923	1,923	-	-	2,303	2,303
Professional Fees	3,102	12,408	990	16,500	3,171	12,683	-	15,854
Salaries	356,611	59,984	-	416,595	282,512	77,940	-	360,452
Special Events	-	-	8,477	8,477	-	-	15,496	15,496
Supplies & General Expenses	57,093	8,617	-	65,709	53,252	9,378	-	62,630
Teacher Appreciation	206	-	-	206	648	-	-	648
Travel	179	14	-	193	118	9	-	127
United Way Grant Expenses	34,436	-	-	34,436	69,222	-	-	69,222
<b>Totals</b>	<b>\$ 565,048</b>	<b>\$ 103,674</b>	<b>\$ 11,496</b>	<b>\$ 680,218</b>	<b>\$ 508,563</b>	<b>\$ 120,206</b>	<b>\$ 18,148</b>	<b>\$ 646,917</b>

See notes to the financial statements.

**THE KING'S DAUGHTERS DAY HOME**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	\$ 414,858	\$ 235,276
Adjustments to Reconcile Increase in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	29,210	28,411
Realized (Gain)/Loss on Investments	203	19,449
Unrealized (Gain) on Investments	(4,805)	(11,977)
Loss on Disposal of Equipment	3,187	-
Reinvested Dividends and Interest, Net of Fees	(7,762)	(8,074)
Donated Property and Equipment	-	(75,500)
(Increase) Decrease in:		
Accounts Receivable - Fees	(598)	(4,262)
Accounts Receivable - Government Assistance	(823)	4,464
Prepaid Expenses	(1,217)	(509)
Increase (Decrease) in:		
Accounts Payable	6,739	(9,523)
Payroll Deductions Payable	(377)	965
Total Adjustments	<u>23,757</u>	<u>(56,556)</u>
Net Cash Provided by Operating Activities	<u>438,615</u>	<u>178,720</u>
<b>Cash Flows from Investing Activities</b>		
Transfers from Investments	25,000	30,000
Payments for the Purchase of Property	(13,030)	(206,192)
Net Cash Provided (Used) by Investing Activities	<u>11,970</u>	<u>(176,192)</u>
<b>Net Increase in Cash</b>	450,585	2,528
<b>Cash - Beginning of Year</b>	40,566	38,038
<b>Cash - End of Year</b>	<u>\$ 491,151</u>	<u>\$ 40,566</u>
<b>Supplemental Cash Flow Disclosures:</b>		
<b>Non-Cash Investing Transactions:</b>		
Donated Property and Equipment	\$ -	\$ 75,500
Reinvested Dividends on Investments	\$ 7,762	\$ 8,074

See notes to financial statements.

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**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, 2013 and 2012, 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, 2013 and 2012.

**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, 2013 and 2012**

**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:

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

Depreciation expense for the years ending June 30, 2013 and 2012 was \$29,210 and \$28,411.

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

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

**M. Property and Equipment – Continued**

During 2012, a building was purchased on land adjacent to the Day Home. The purchase price was allocated between building and land. Subsequently, the building was deemed worthless and removed from the land. The purchase price was then reallocated from building to land.

**N. Reclassifications**

Certain reclassifications have been made to the 2012 financial statements to conform to 2013 presentation.

**Note 2. Investments**

The Organization holds investments in various accounts. These investments are carried at the fair market value determined on June 30, 2013 and 2012, using quoted market prices. The various types of investments are listed below:

<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>
<b>2012</b>			
	<b>Fair Market Value</b>	<b>Cost</b>	<b>Cumulative Unrealized Gain(Loss)</b>
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>

Investment fees for the years ending June 30, 2013 and 2012 were \$2,514 and \$2,416.

**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, 2013 and 2012 is as follows:

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

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**Note 4. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2013 and 2012 include the following:

	<u>2013</u>	<u>2012</u>
Capital Projects	\$526,923	\$ 36,530
After-School Program	27,000	-
Pre-K Classrooms	2,451	15,139
Legacy Trees	1,500	-
Total Temporarily Restricted	<u>\$ 557,874</u>	<u>\$ 51,669</u>

**Note 5. 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, 2013, the United Way grant represented 10% of total revenues. For the year ended June 30, 2012 the United Way grant represented 12% of total revenues and the DHS grants represented 11% of total revenues.

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

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

**Note 6. 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, 2013 and 2012 are as follows.

<b>Revenues:</b>		
	<u>2013</u>	<u>2012</u>
Donated Capital Items	\$ -	\$ 75,500
Fundraising Events	-	5,083
Donated Services	4,300	5,961
Donated Administrative Expense	-	624
Total	<u>\$ 4,300</u>	<u>\$ 87,168</u>

  

<b>Property, Equipment and Expense:</b>		
	<u>2013</u>	<u>2012</u>
Improvements and Equipment	\$ -	\$ 75,500
Professional Fees	4,300	5,961
Fundraising Events Expenses	-	5,083
Supplies and General Expenses	-	624
Total Expenditures	<u>\$ 4,300</u>	<u>\$ 87,168</u>

**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 2018. The following is a schedule by year, of future year's minimum rental payments as of June 30, 2013:

**The King's Daughters Day Home**  
**Notes to Financial Statements**  
**June 30, 2013 and 2012**

**Note 7. Leases – Continued**

<u>Year Ending June 30,</u>	<u>Annual Lease Payments</u>
2014	\$ 3,756
2015	1,692
2016	1,692
2017	1,692
2018	423
Total	<u>\$ 9,255</u>

Rental expense was \$2,235 for the years ended June 30, 2013 and 2012.

**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. For the years ended June 30, 2013 and 2012, \$2,690 and \$3,725 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, 2013 through December 6, 2013, 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, 2013 and 2012**

	2013			2012		
			Variance Favorable (Unfavorable)			Variance Favorable (Unfavorable)
	Actual	Budget		Actual	Budget	
<b>Support and Revenue</b>						
Contributions	\$ 603,288	\$ 252,300	\$ 350,988	\$ 227,592	\$ 106,150	\$ 121,442
United Way	108,072	108,072	-	108,072	108,072	-
Government Fees and Grants	99,496	95,500	3,996	94,490	90,732	3,758
Other Grants	77,549	-	77,549	155,000	115,000	40,000
Fundraising Events	47,419	55,500	(8,081)	54,263	61,500	(7,237)
Donated Facilities, Services & Supplies	4,300	4,200	100	82,085	-	82,085
Program Service Fees	142,362	173,120	(30,758)	157,442	150,006	7,436
Interest/Investment Income	11,175	8,000	3,175	10,721	24,000	(13,279)
Realized Gain on Investments	(203)	-	(203)	(19,449)	-	(19,449)
Unrealized Gain/(Loss) on Investments	4,805	-	4,805	11,977	-	11,977
Loss on Disposal of Equipment	(3,187)	-	(3,187)	-	-	-
Total Support and Revenue	1,095,076	696,692	398,384	882,193	655,461	226,732
<b>Expenses</b>						
Bad Debt Expense	5,193	-	(5,193)	1,182	-	(1,182)
Center Development	5,239	5,000	(239)	4,167	5,000	833
Communication	2,292	2,800	508	2,730	2,908	178
Conferences and Meetings	5,276	5,800	524	5,329	5,755	426
Depreciation	29,210	-	(29,210)	28,411	-	(28,411)
Dues & Subscriptions	946	1,000	54	704	785	81
Employee Benefits	14,377	12,500	(1,877)	9,035	17,857	8,822
Fees and Licenses	622	900	278	1,117	531	(586)
Insurance	12,557	12,154	(403)	12,323	13,614	1,291
Maintenance & Repairs	20,158	25,600	5,442	15,910	19,127	3,217
Miscellaneous	3,676	3,925	249	3,590	3,812	222
Payroll Taxes	36,633	38,775	2,142	35,687	37,411	1,724
Printing	1,923	2,500	577	2,303	2,500	197
Professional Fees	16,500	16,450	(50)	15,854	12,342	(3,512)
Salaries	416,595	436,274	19,679	360,452	395,376	34,924
Special Events	8,477	13,200	4,723	15,496	12,500	(2,996)
Supplies and General Expenses	65,709	67,800	2,091	62,630	63,305	675
Teacher Appreciation	206	1,000	794	648	1,000	352
Travel	193	3,000	2,807	127	3,500	3,373
United Way Grant Expenses	34,436	30,000	(4,436)	69,222	50,723	(18,499)
Total Expenses	680,218	678,678	(1,540)	646,917	648,045	1,128
<b>Excess (Deficit) of Revenues over Expenses</b>	<b>\$ 414,858</b>	<b>\$ 18,014</b>	<b>\$ 396,844</b>	<b>\$ 235,276</b>	<b>\$ 7,415</b>	<b>\$ 227,861</b>

See independent auditors' report.