

THE KING'S DAUGHTERS DAY HOME
Financial Statements
June 30, 2008 and 2007

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Parker, Parker & Associates, PLC

Certified Public Accountants

1000 NORTHCHASE DRIVE - SUITE 260
GOODLETTSVILLE, TN 37072

STEVEN B. PARKER, CPA
CHARLES N. PARKER, CPA
DARREL E. TONGATE, CPA
KAREN R. STEPHENS, CPA
CATHY D. FISHER, CPA
KEVIN R. COOK, CPA
LAUREN S. ALLEN, CPA
CARRIE E. DAWSON, CPA

TELEPHONE: 615-859-8800
FAX: 615-859-8188
WWW.PARKERCPA.NET

Independent Auditors' Report

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

We have audited the accompanying statement of financial position of The King's Daughters Day Home (a nonprofit organization) as of June 30, 2008 and 2007, 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, 2008 and 2007, 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 statements of support, revenues and expenses – budget to actual on page 9 are presented for purposes 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

December 4, 2008

THE KING'S DAUGHTERS DAY HOME
Statements of Financial Position
June 30, 2008 and 2007

Assets	2008	2007
Current Assets		
Cash	\$ 107,152	\$ 107,728
Investments	383,363	196,827
Accounts Receivable - Fees, Less Allowance for Doubtful		
Accounts of \$0 and \$1,199 in 2008 and 2007	994	1,050
Accounts Receivable - Government Assistance	5,527	4,889
Pledges Receivable - Fleming Dinner	-	500
Prepaid Expenses	6,770	5,715
Total Current Assets	<u>503,806</u>	<u>316,709</u>
Property and Equipment		
Building and Equipment	272,811	278,305
Accumulated Depreciation	<u>(171,156)</u>	<u>(182,738)</u>
Total Property and Equipment	<u>101,655</u>	<u>95,567</u>
 Total Assets	 <u><u>\$ 605,461</u></u>	 <u><u>\$ 412,276</u></u>
 Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 16,910	\$ 13,236
Payroll Deductions Payable	4,109	3,977
Accrued Bonuses	-	1,000
Deferred Revenue	21,850	-
Total Current Liabilities	<u>42,869</u>	<u>18,213</u>
Unrestricted Net Assets		
Board Designated	3,350	5,953
Undesignated	559,242	388,110
Total Unrestricted Net Assets	<u>562,592</u>	<u>394,063</u>
 Total Liabilities and Net Assets	 <u><u>\$ 605,461</u></u>	 <u><u>\$ 412,276</u></u>

See notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
Statements of Activities
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets		
Public Support and Revenue		
Public Support:		
Contributions	\$ 443,293	\$ 199,143
United Way	126,723	123,918
Government Fees and Grants	77,716	63,154
Other Grants	-	5,000
Fundraising Events	12,353	74,318
Donated Facilities	22,254	22,034
Total Public Support	<u>682,339</u>	<u>487,567</u>
Revenue:		
Program Service Fees	118,775	125,720
Interest and Dividend Income	12,101	10,660
Unrealized Gains and (Losses)	(25,039)	5,610
Gain (Loss) on Disposal of Equipment	(93)	5,500
Miscellaneous Income	64	-
Total Revenue	<u>105,808</u>	<u>147,490</u>
Total Public Support and Revenue	<u>788,147</u>	<u>635,057</u>
 Expenses		
Program Services	504,435	488,698
Managment and General	93,847	94,846
Fundraising	21,336	50,164
Total Expenses	<u>619,618</u>	<u>633,708</u>
 Increase in Unrestricted Net Assets	168,529	1,349
 Net Assets - Beginning of Year	<u>394,063</u>	<u>392,714</u>
 Net Assets - End of Year	<u><u>\$ 562,592</u></u>	<u><u>\$ 394,063</u></u>

See notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
Statements of Functional Expenses
For the Years Ended June 30, 2008 and 2007

	2008				2007			
	Supporting Services		Supporting Services		Supporting Services		Supporting Services	
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Art Party Expenses	-	-	821	821	-	-	30,011	30,011
Bad Debt Expense	183	-	-	183	1,135	-	-	1,135
Communication	1,939	1,315	236	3,490	3,243	1,522	303	5,068
Conferences and Meetings	3,848	-	-	3,848	3,139	-	-	3,139
Depreciation	-	9,901	-	9,901	-	10,161	-	10,161
Employee Benefits	9,895	9,241	-	19,136	10,799	12,286	-	23,085
Fees and Licenses	247	323	-	570	392	513	-	905
Fashion Show Expenses	-	-	3,949	3,949	-	-	3,508	3,508
Insurance	16,351	258	-	16,609	9,986	158	-	10,144
Maintenance & Repairs	12,599	1,043	-	13,642	8,261	839	-	9,100
Dues & Subscriptions	745	392	-	1,137	630	353	-	983
Miscellaneous	1,031	323	200	1,554	-	637	133	770
Occupancy	22,254	-	-	22,254	19,831	2,203	-	22,034
Payroll Taxes	23,758	3,869	-	27,627	24,703	3,668	-	28,371
Printing	-	785	1,130	1,915	-	458	659	1,117
Professional Fees	-	10,455	15,000	25,455	-	9,160	15,550	24,710
Salaries	297,128	51,849	-	348,977	329,634	48,441	-	378,075
Supplies and General Expenses	65,289	2,987	-	68,276	72,865	4,441	-	77,306
Teacher Appreciation	60	-	-	60	-	-	-	-
Theft Expense	-	1,096	-	1,096	-	-	-	-
Travel	123	9	-	132	80	6	-	86
United Way Grant Expenses	48,986	-	-	48,986	4,000	-	-	4,000
Totals	\$504,435	\$93,847	\$21,336	\$619,618	\$488,698	\$94,846	\$50,164	\$633,708

See notes to the financial statements.

THE KING'S DAUGHTERS DAY HOME
Statements of Cash Flows
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 168,529	\$ 1,349
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	9,901	10,161
Unrealized Gains and Losses	25,039	(5,610)
(Gain) Loss on Disposal of Equipment	93	(5,500)
Donated Equipment	(6,900)	-
Decrease in Accounts Receivable - Fees	56	2,848
Increase in Accounts Receivable - Government Assistance	(638)	-
Decrease in Pledges Receivable	500	1,700
(Increase) Decrease in Prepaid Items	(1,055)	4,317
Increase in Accounts Payable	3,674	1,870
Increase in Payroll Deductions Payable	132	3,977
Increase (Decrease) in Accrued Bonuses	(1,000)	1,000
Increase in Deferred Revenue	21,850	-
Total Adjustments	<u>51,652</u>	<u>14,763</u>
Net Cash Provided by Operating Activities	<u>220,181</u>	<u>16,112</u>
Cash Flows from Investing Activities		
Payments for the Purchase of Property	(9,182)	(12,118)
Payments for the Purchase of Investments	(211,575)	(9,589)
Proceeds from the Sale of Fixed Assets	-	5,500
Net Cash Used by Investing Activities	<u>(220,757)</u>	<u>(16,207)</u>
Net Decrease in Cash	(576)	(95)
Cash - Beginning of Year	107,728	107,823
Cash - End of Year	<u>\$ 107,152</u>	<u>\$ 107,728</u>

See notes to financial statements.

The King's Daughters Day Home
Notes to Financial Statements
June 30, 2008 and 2007

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 donors' 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.

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.

F. 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, 2008 and 2007, respectively.

G. 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 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.

H. Income Taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

I. Functional Expenses

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

The King's Daughters Day Home
Notes to Financial Statements
June 30, 2008 and 2007

Note 1. Summary of Significant Accounting Policies – Continued

J. Investments

Investments are stated at their readily determinable fair market value in accordance with Statement of Financial Accounting Standard No. 124 *Accounting for Certain Investments Held by Not-for-Profit Organizations*.

K. Property and Equipment

Property, plant and equipment with estimated 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, 2008 and 2007 was \$9,901 and \$10,161, respectively.

Note 2. Investments

The Organization holds investments in various short-term accounts. These investments are carried at the fair market value determined on June 30, 2008 and 2007, respectively, using quoted market prices. The various types of investments are listed below:

Investments			
2008			
	Fair Market Value	Cost	Cumulative Unrealized Gain(Loss)
Certificates of Deposit	\$ -	\$ -	\$ -
Money Funds	155,076	155,076	-
Mortgage Backed Securities	49,980	50,816	(836)
Mutual Funds	153,917	162,319	(8,402)
Corporate Bonds	24,390	25,131	(741)
U.S. Government Securities	-	-	-
	<u>\$ 383,363</u>	<u>\$ 393,342</u>	<u>\$ (9,979)</u>
2007			
	Fair Market Value	Cost	Cumulative Unrealized Gain(Loss)
Certificates of Deposit	\$ 34,703	\$ 35,000	\$ (297)
Money Funds	26,844	26,844	-
Mortgage Backed Securities	-	-	-
Mutual Funds	110,365	104,605	5,760
Corporate Bonds	-	-	-
U.S. Government Securities	24,915	25,000	(85)
	<u>\$ 196,827</u>	<u>\$ 191,449</u>	<u>\$ 5,378</u>

Note 3. 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, 2008, the United Way grant represented 16% of total revenues and the DHS grant represented 10% of total revenues. For the year ended June 30, 2007 the United Way grant represented 20% of total revenues and the DHS grants represented 10% of total revenues.

The King's Daughters Day Home
Notes to Financial Statements
June 30, 2008 and 2007

Note 3. Concentration of Risk – Continued

At June 30, 2008 and 2007, the Day Home's cash accounts exceeded the Federal Deposit Insurance Corporation insurance coverage by \$7,260 and \$8,435, respectively.

Note 4. Donated Facilities, Services and Supplies

For the years ended June 30, 2008 and 2007, the Day Home facilities have been donated by a related entity (see Note 6). Donated facilities are used in the ongoing operations of the Day Home and are reflected as contributions in the accompanying statements at estimated values at date of receipt. The value of donated facilities and services included in the financial statements and the corresponding expenditures for the years ended June 30, 2008 and 2007 are as follows:

Value of Donated Facilities, Services and Supplies		
	2008	2007
Revenues:		
Donated Facilities	\$ 22,254	\$ 22,034
Donated Capital Items	6,900	-
Total	<u>\$ 29,154</u>	<u>\$ 22,034</u>
Expenditures		
	2008	2007
Occupancy	\$ 22,254	\$ 22,034
Building Improvements	6,900	-
Total Expenditures	<u>\$ 29,154</u>	<u>\$ 22,034</u>

Note 5. Pension and Other Retirement Benefits

The Organization adopted a Simplified Employee Pension (SEP) Plan covering substantially all of its employees in 1994. The employee must have worked two of the previous three years to be covered under the plan. The plan year-end is November 30. For the years ended June 30, 2008 and 2007, \$3,119 and \$4,284 in contributions were made to the SEP plan.

The Day Home, as part of the Board approved retirement package for a former director, paid health insurance benefits. The total payments for the years ended June 30, 2008 and 2007 were \$1,146 and \$1,683.

Note 6. Related Party

The Davidson County Union of King's Daughters and Sons ("County Union") is a related entity that founded the Day Home and owns the building and property in which the Day Home operates. In addition to donating building and property (See Note 4), the County Union made operating contributions of \$24,465 and \$8,093 for the years ended June 30, 2008 and 2007.

Supplementary Information

THE KING'S DAUGHTERS DAY HOME
Statements of Support, Revenue and Expenses - Budget to Actual
For the Years Ended June 30, 2008 and 2007

	2008			2007		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Support and Revenue						
Contributions	\$ 443,293	\$ 224,200	\$ 219,093	\$ 199,142	\$ 177,946	\$ 21,196
Nashville Area United Way	126,723	112,634	14,089	123,918	112,607	11,311
Grants	-	7,000	(7,000)	5,000	-	5,000
Government Fees and Grants	77,716	66,636	11,080	63,154	63,548	(394)
Special Fundraising Events	12,353	85,500	(73,147)	74,316	85,090	(10,774)
Donated Facilities & Services	22,254	22,254	-	22,034	5,400	16,634
Program Service Fees	118,775	129,144	(10,369)	125,720	119,471	6,249
Miscellaneous Income	64	-	64	-	-	-
Interest/Investment Income	12,101	15,000	(2,899)	10,660	7,828	2,832
Unrealized Gains and Losses	(25,039)	-	(25,039)	5,610	-	5,610
Gain (Loss) on Disposal of Equipment	(93)	-	(93)	5,500	-	5,500
Total Support and Revenue	788,147	662,368	125,779	635,054	571,890	63,164
Expenses						
Art Party Expenses	821	-	(821)	30,011	-	(30,011)
Bad Debt Expense	183	-	(183)	1,135	-	(1,135)
Communications	3,490	4,400	910	5,068	4,100	(968)
Conferences and Meetings	3,848	-	(3,848)	3,139	-	(3,139)
Depreciation	9,901	-	(9,901)	10,161	-	(10,161)
Employee Benefits	19,136	28,200	9,064	23,085	21,540	(1,545)
Fees and Licenses	570	-	(570)	905	800	(105)
Fashion Show Expenses	3,949	4,500	551	3,508	4,517	1,009
Fish Fry Expenses	-	-	-	-	200	200
Fleming Dinner Expenses	-	-	-	-	800	800
Fundraising Events - Other Expenses	-	-	-	-	-	-
Insurance	16,609	8,500	8,500	10,144	11,483	1,339
Maintenance & Repairs	13,642	7,200	(9,409)	9,100	12,360	3,260
Dues & Subscriptions	1,137	9,160	(4,482)	983	1,620	637
Miscellaneous	1,554	720	(417)	770	420	(350)
Occupancy	22,254	420	(1,134)	22,034	-	(22,034)
Payroll Taxes	27,627	22,254	5,373	28,371	30,056	1,685
Printing	1,915	28,938	1,311	1,117	840	(277)
Professional Fees	25,455	1,200	(715)	24,710	22,200	(2,510)
Salaries	348,977	24,600	(855)	378,075	395,182	17,107
Supplies and General Expenses	68,276	396,239	47,262	77,306	61,331	(15,975)
Teacher Appreciation	60	81,360	13,084	-	-	-
Theft Expense	1,096	-	-	-	-	-
Travel	132	120	(12)	86	420	334
United Way Grant Expenses	48,986	45,000	(3,986)	4,000	3,600	(400)
Total Expenses	619,618	662,811	44,349	633,705	571,469	(62,236)
Excess (Deficit) of Revenues over Expenses	\$ 168,529	\$ (443)	\$ 170,128	\$ 1,349	\$ 421	\$ 928

See independent auditors' report.