

THE KING'S DAUGHTERS DAY HOME
Financial Statements
June 30, 2005 and 2004

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of The King's Daughters Day Home (a nonprofit organization) as of June 30, 2005 and 2004, 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, 2005 and 2004, 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

August 10, 2005

THE KING'S DAUGHTERS DAY HOME
Statements of Financial Position
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Assets		
Current Assets		
Cash	\$ 135,564	\$ 63,673
Investments	173,523	171,119
Accounts Receivable - Fees, Less Allowance for Doubtful		
Accounts of \$817 and \$205 in 2005 and 2004	2,936	1,006
Accounts Receivable - Government Assistance	8,614	9,891
Prepaid Expenses	8,020	-
Total Current Assets	<u>328,657</u>	<u>245,689</u>
Property and Equipment		
Buildings and Equipment	253,743	251,283
Vehicles	20,951	20,951
Less: Accumulated Depreciation	(192,203)	(179,208)
Total Property and Equipment	<u>82,491</u>	<u>93,026</u>
Total Assets	<u>\$ 411,148</u>	<u>\$ 338,715</u>
Liabilities and Net Assets		
Current Liabilities		
Payroll Deductions Payable	\$ 703	\$ 16
Accounts Payable	11,132	10,592
Total Current Liabilities	<u>11,835</u>	<u>10,608</u>
Unrestricted Net Assets		
Board Designated	6,915	7,652
Undesignated	392,398	320,455
Total Unrestricted Net Assets	<u>399,313</u>	<u>328,107</u>
Total Liabilities and Net Assets	<u>\$ 411,148</u>	<u>\$ 338,715</u>

See independent auditors' report and notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
Statements of Activities
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Unrestricted Net Assets		
Public Support and Revenue		
Public Support:		
Contributions	\$ 186,446	\$ 127,617
United Way	122,895	68,726
Government Fees and Grants	99,392	110,390
Other Grants	250	-
Fundraising Events	90,258	66,203
Donated Facilities	21,600	21,600
Total Public Support	<u>520,841</u>	<u>394,536</u>
Revenue:		
Program Service Fees	133,287	116,586
Interest and Dividend Income	3,711	3,793
Unrealized and Realized Gains	-	4,638
Total Revenue	<u>136,998</u>	<u>125,017</u>
Total Public Support, Revenue and Reclassifications	<u>657,839</u>	<u>519,553</u>
 Expenses		
Program Services	440,494	393,894
Management and General	90,365	91,567
Fundraising	55,774	52,004
Total Expenses	<u>586,633</u>	<u>537,465</u>
 Increase (Decrease) in Unrestricted Net Assets	71,206	(17,912)
 Net Assets - Beginning of Year	<u>328,107</u>	<u>346,019</u>
 Net Assets - End of Year	<u><u>\$ 399,313</u></u>	<u><u>\$ 328,107</u></u>

See independent auditors' report and notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
Statements of Functional Expenses
For the Years Ended June 30, 2005 and 2004

	2005				2004			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Art Party Expenses	\$ -	\$ -	\$ 33,056	\$ 33,056	\$ -	\$ -	\$ 31,483	\$ 31,483
Bad Debt Expense	612	-	-	612	799	-	-	799
Communication	2,028	1,499	296	3,823	1,752	1,143	332	3,227
Conferences and Meetings	807	-	-	807	1,643	-	-	1,643
Depreciation	-	12,995	-	12,995	-	17,679	-	17,679
Employee Benefits	3,318	2,446	-	5,764	10,899	3,289	-	14,187
Fees and Licenses	355	-	275	630	380	20	25	425
Golf Tournament Expenses	-	-	5,210	5,210	-	-	6,634	6,634
Insurance	11,083	332	-	11,414	10,501	1,342	-	11,843
Luncheon Expenses	-	-	3,447	3,447	-	-	-	-
Maintenance & Repairs	8,076	485	-	8,561	6,983	395	-	7,378
Membership Dues	330	205	-	535	85	480	-	565
Miscellaneous	734	1,294	46	2,074	223	1,317	250	1,790
Occupancy	19,440	2,160	-	21,600	19,440	2,160	-	21,600
Payroll Taxes	26,006	4,315	-	30,320	20,758	4,101	-	24,860
Printing	-	396	245	641	-	-	80	80
Professional Fees	-	2,600	13,200	15,800	-	2,500	13,200	15,700
Realized & Unrealized Losses	-	967	-	967	-	-	-	-
Salaries	307,261	56,401	-	363,662	267,655	53,789	-	321,443
Supplies and General Expenses	55,102	3,870	-	58,972	52,158	3,056	-	55,214
Travel	770	402	-	1,172	620	296	-	917
United Way Grant Expenses	4,572	-	-	4,572	-	-	-	-
Totals	<u>\$ 440,494</u>	<u>\$ 90,365</u>	<u>\$ 55,774</u>	<u>\$ 586,633</u>	<u>\$ 393,894</u>	<u>\$ 91,567</u>	<u>\$ 52,004</u>	<u>\$ 537,465</u>

See independent auditors' report and notes to the financial statements.

THE KING'S DAUGHTERS DAY HOME
Statements of Cash Flows
For the Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 71,206	\$ (17,912)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	12,995	17,679
Realized and Unrealized Loss (Gain) on Investments	967	(4,638)
(Increase) Decrease in Accounts Receivable	(653)	28,807
(Increase) in Prepaid Expenses	(8,020)	-
Increase (Decrease) in Payroll Taxes Payable	687	(268)
Increase in Accounts Payable	540	4,974
(Decrease) in Deferred Revenue	-	(135)
Total Adjustments	<u>6,516</u>	<u>46,419</u>
Net Cash Provided by Operating Activities	<u>77,722</u>	<u>28,507</u>
Cash Flows from Investing Activities		
Cash Payments for the Purchase of Property	(2,460)	(5,110)
Cash Payments for Purchase of Investments	<u>(3,371)</u>	<u>(3,410)</u>
Net Cash Used by Investing Activities	<u>(5,831)</u>	<u>(8,520)</u>
Net Increase in Cash	71,891	19,987
Cash - Beginning of Year	<u>63,673</u>	<u>43,686</u>
Cash - End of Year	<u>\$ 135,564</u>	<u>\$ 63,673</u>

See independent auditors' report and notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
Notes to Financial Statements
June 30, 2005 and 2004

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, 2005 and 2004, 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 - Continued
June 30, 2005 and 2004

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, 2005 and 2004 was \$12,995 and \$17,679, 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, 2005 and 2004, respectively, using quoted market prices. The various types of investments are listed below:

Investments	2005	2004
Certificates of Deposit	\$ 34,932	\$ 35,084
Money Funds	18,090	50,366
Mortgage Backed Securities	-	2,227
Mutual Funds	95,533	16,601
Unit Investment Trusts	-	41,922
U.S. Government Securities	24,968	24,919
	<u>\$ 173,523</u>	<u>\$ 171,119</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, 2005, the United Way grant represented 19% of total revenues and the DHS grant represented 15% of total revenues. For the year ended June 30, 2004 the United Way grant represented 13% of total revenues and the DHS grants represented 21% of total revenues.

Note 4. Donated Facilities and Services

For the years ended June 30, 2005 and 2004, 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, 2005 and 2004 are as follows:

THE KING'S DAUGHTERS DAY HOME
Notes to Financial Statements - Continued
June 30, 2005 and 2004

Note 4. Donated Facilities and Services – Continued

Revenues		
	2005	2004
Donated Facilities	\$ 21,600	\$ 21,600
Donated Supplies	1,958	6,037
Total	<u>\$ 23,558</u>	<u>\$ 27,637</u>

Expenses		
	2005	2004
Occupancy	\$ 21,600	\$ 21,600
Art Party Expenses	1,958	6,037
Total	<u>\$ 23,558</u>	<u>\$ 27,637</u>

During the year ended June 30, 2005 and 2004 no amounts have been reflected in the financial statements for volunteer services donated to the Day Home in as much as no objective basis is available to measure the value of such services.

Note 5. Pension Plan

The Organization adopted an IRA Self-Employed 408(k) (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, 2005 and 2004, \$0 and \$5,564 in contributions were made to the IRA SEP plan, as allowed under Internal Revenue Service Code.

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 \$11,104 and \$14,867 for the years ended June 30, 2005 and 2004.

Supplementary Information

THE KING'S DAUGHTERS DAY HOME
Statements of Support, Revenue and Expenses - Budget to Actual
For the Years Ended June 30, 2005 and 2004

	2005			2004		
	Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
Support and Revenue						
Contributions	\$ 186,446	\$ 134,000	\$ 52,446	\$ 127,617	\$ 108,000	\$ 19,617
Nashville Area United Way	122,895	80,181	42,714	68,726	68,067	659
Grants	250	-	250	-	-	-
Government Fees and Grants	99,392	36,000	63,392	110,390	34,000	76,390
Special Fundraising Events	90,258	48,000	42,258	66,203	30,000	36,203
Donated Facilities	21,600	9,000	12,600	21,600	-	21,600
Program Service Fees	133,287	181,000	(47,713)	116,586	164,000	(47,414)
Interest/Investment Income	3,711	5,000	(1,289)	3,793	1,000	2,793
Realized and Unrealized Gain	-	-	-	4,638	-	4,638
Total Support and Revenue	<u>657,839</u>	<u>493,181</u>	<u>164,658</u>	<u>519,553</u>	<u>405,067</u>	<u>114,486</u>
Expenses						
Art Party Expenses	33,056	-	(33,056)	31,483	-	(31,483)
Bad Debt Expense	612	-	(612)	799	-	(799)
Communication	3,823	3,200	(623)	3,227	3,700	473
Conferences and Meetings	807	2,500	1,693	1,643	3,500	1,858
Depreciation	12,995	-	(12,995)	17,679	-	(17,679)
Employee Benefits	5,764	17,007	11,243	14,187	15,800	1,613
Fees and Licenses	630	1,000	370	425	-	(425)
Golf Tournament Expenses	5,210	-	(5,210)	6,634	-	(6,634)
Insurance	11,414	11,505	91	11,843	-	(11,843)
Luncheon Expenses	3,447	-	(3,447)	-	-	-
Maintenance & Repairs	8,561	5,500	(3,061)	7,378	4,000	(3,378)
Membership Dues	535	-	(535)	565	800	235
Miscellaneous	2,074	2,500	426	1,790	3,000	1,210
Occupancy	21,600	32,000	10,400	21,600	34,000	12,400
Payroll Taxes	30,320	25,405	(4,915)	24,860	23,770	(1,090)
Printing	641	1,500	859	80	1,000	920
Professional Fees	15,800	18,000	2,200	15,700	17,500	1,800
Realized and Unrealized Losses	967	-	(967)	-	-	-
Salaries	363,662	332,085	(31,577)	321,443	310,719	(10,724)
Supplies and General Expenses	58,972	39,500	(19,472)	55,214	32,500	(22,714)
Travel	1,172	1,200	28	917	1,200	283
United Way Grant Expenses	4,572	-	(4,572)	-	-	-
Total Expenses	<u>586,633</u>	<u>492,902</u>	<u>(93,732)</u>	<u>537,465</u>	<u>451,489</u>	<u>(85,976)</u>
Excess (Deficit) of Revenues over Expenses	<u>\$ 71,206</u>	<u>\$ 279</u>	<u>\$ 70,926</u>	<u>\$ (17,912)</u>	<u>\$ (46,422)</u>	<u>\$ 28,510</u>

See independent auditors' report.