

**THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD
DEVELOPMENT CENTER**

Financial Statements

June 30, 2020 and 2019



THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Financial Statements

June 30, 2020 and 2019

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Independent Auditor's Report

Board of Directors
The King's Daughters Day Home
d/b/a The King's Daughters Child Development Center

Report on the Financial Statements

We have audited the accompanying financial statements of The King's Daughters Day Home d/b/a The King's Daughters Child Development Center (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 d/b/a The King's Daughters Child Development Center as of June 30, 2020 and 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.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Goodlettsville, Tennessee
February 22, 2021

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Statements of Financial Position

June 30, 2020 and 2019

| | 2020 | 2019 |
|---------------------------------------------|----------------------------|----------------------------|
| Assets | | |
| Current Assets | | |
| Cash | \$ 229,220 | \$ 90,559 |
| Investments | 924,356 | 899,816 |
| Accounts Receivable - Fees | 7,587 | 4,037 |
| Accounts Receivable - Government Assistance | 12,694 | 12,694 |
| Prepaid Expenses | 3,450 | 2,851 |
| Total Current Assets | <u>1,177,307</u> | <u>1,009,957</u> |
| Property and Equipment | | |
| Land | 207,476 | 207,476 |
| Buildings and Improvements | 1,986,982 | 1,985,982 |
| Equipment | 104,875 | 103,224 |
| Accumulated Depreciation | <u>(527,577)</u> | <u>(465,166)</u> |
| Total Property and Equipment, Net | <u>1,771,756</u> | <u>1,831,516</u> |
| Total Assets | <u><u>\$ 2,949,063</u></u> | <u><u>\$ 2,841,473</u></u> |
| Liabilities and Net Assets | | |
| Current Liabilities | | |
| Accounts Payable | \$ 9,389 | \$ 17,356 |
| Payroll Deductions Payable | 8,082 | 6,533 |
| Deferred Revenue | <u>4,425</u> | <u>4,425</u> |
| Total Current Liabilities | <u>21,896</u> | <u>28,314</u> |
| Non-Current Liabilities | | |
| PPP Loan | <u>142,658</u> | <u>-</u> |
| Total Liabilities | <u>164,554</u> | <u>28,314</u> |
| Net Assets | | |
| Net Assets Without Donor Restrictions | 2,754,815 | 2,798,022 |
| Net Assets With Donor Restrictions | <u>29,694</u> | <u>15,137</u> |
| Total Net Assets | <u>2,784,509</u> | <u>2,813,159</u> |
| Total Liabilities and Net Assets | <u><u>\$ 2,949,063</u></u> | <u><u>\$ 2,841,473</u></u> |

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Statements of Activities

For the Years Ended June 30, 2020 and 2019

| | 2020 | | | 2019 | | |
|---------------------------------------|----------------------------------|----------------------------|--------------|----------------------------------|----------------------------|--------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Support and Revenues | | | | | | |
| Contributions | \$ 75,132 | \$ - | \$ 75,132 | \$ 36,306 | \$ - | \$ 36,306 |
| United Way | 108,930 | - | 108,930 | 108,000 | - | 108,000 |
| Government Fees and Grants | 182,201 | - | 182,201 | 153,999 | - | 153,999 |
| Other Grants | 5,122 | 195,488 | 200,610 | 40,207 | 107,966 | 148,173 |
| Fundraising Events | 13,750 | - | 13,750 | 32,785 | - | 32,785 |
| In-Kind Donations | 5,600 | - | 5,600 | 10,925 | - | 10,925 |
| Program Service Fees | 444,307 | - | 444,307 | 506,782 | - | 506,782 |
| Investment Income, Net | 25,616 | - | 25,616 | 47,648 | - | 47,648 |
| Net Assets Released from Restrictions | 180,931 | (180,931) | - | 117,991 | (117,991) | - |
| Total Support and Revenues | 1,041,589 | 14,557 | 1,056,146 | 1,054,643 | (10,025) | 1,044,618 |
| Functional Expenses | | | | | | |
| Program Services | 910,904 | - | 910,904 | 902,145 | - | 902,145 |
| Management and General | 155,702 | - | 155,702 | 144,266 | - | 144,266 |
| Fundraising | 10,141 | - | 10,141 | 29,631 | - | 29,631 |
| Costs of Direct Benefits to Donors | 8,049 | - | 8,049 | 7,509 | - | 7,509 |
| Total Functional Expenses | 1,084,796 | - | 1,084,796 | 1,083,551 | - | 1,083,551 |
| Change in Net Assets | (43,207) | 14,557 | (28,650) | (28,908) | (10,025) | (38,933) |
| Net Assets - Beginning of Year | 2,798,022 | 15,137 | 2,813,159 | 2,826,930 | 25,162 | 2,852,092 |
| Net Assets - End of Year | \$ 2,754,815 | \$ 29,694 | \$ 2,784,509 | \$ 2,798,022 | \$ 15,137 | \$ 2,813,159 |

See notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Statement of Functional Expenses

For the Year Ended June 30, 2020

| | Program Services | | | Supporting Services | | | |
|-------------------------------|-----------------------|-------------------|------------------------------|---------------------------|------------------|---------------------------------|---------------------|
| | Infant and Toddler | Pre-School | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total |
| Communication | \$ 1,604 | \$ 488 | \$ 2,092 | \$ 1,046 | \$ 349 | \$ 1,395 | \$ 3,487 |
| Conferences and Meetings | 358 | 2,490 | 2,848 | - | - | - | 2,848 |
| Depreciation and Amortization | 30,657 | 25,513 | 56,170 | 6,241 | - | 6,241 | 62,411 |
| Dues and Subscriptions | 1,031 | 1,532 | 2,563 | - | - | - | 2,563 |
| Employee Benefits | 4,692 | 4,692 | 9,384 | 28,151 | - | 28,151 | 37,535 |
| Fees and Licenses | 80 | 378 | 458 | - | - | - | 458 |
| Insurance | 12,392 | 10,569 | 22,961 | 1,825 | - | 1,825 | 24,786 |
| Maintenance and Repairs | 26,464 | 18,736 | 45,200 | 2,957 | - | 2,957 | 48,157 |
| Miscellaneous | 686 | 3,450 | 4,136 | 6 | - | 6 | 4,142 |
| Occupancy | 9,312 | 13,146 | 22,458 | 1,524 | - | 1,524 | 23,982 |
| Payroll Taxes | 21,290 | 25,657 | 46,947 | 7,097 | 546 | 7,643 | 54,590 |
| Professional Fees | 10,531 | 10,531 | 21,062 | 2,633 | 2,633 | 5,266 | 26,328 |
| Salaries | 265,377 | 319,814 | 585,191 | 88,459 | 6,804 | 95,263 | 680,454 |
| Special Events | - | - | - | - | 7,858 | 7,858 | 7,858 |
| Supplies and General Expenses | 32,410 | 22,990 | 55,400 | 15,763 | - | 15,763 | 71,163 |
| Teacher Appreciation | 296 | 389 | 685 | - | - | - | 685 |
| Travel | 90 | 165 | 255 | - | - | - | 255 |
| United Way Grant Expenses | 6,452 | 26,642 | 33,094 | - | - | - | 33,094 |
| Totals | <u>\$ 423,722</u> | <u>\$ 487,182</u> | <u>\$ 910,904</u> | <u>\$ 155,702</u> | <u>\$ 18,190</u> | <u>\$ 173,892</u> | <u>\$ 1,084,796</u> |

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Statement of Functional Expenses

For the Year Ended June 30, 2019

| | Program Services | | | Supporting Services | | | |
|-------------------------------|-----------------------|-------------------|------------------------------|---------------------------|------------------|---------------------------------|---------------------|
| | Infant and Toddler | Pre-School | Total Program Services | Management and General | Fundraising | Total Supporting Services | Total |
| Communication | \$ 1,758 | \$ 655 | \$ 2,413 | \$ 1,206 | \$ 402 | \$ 1,608 | \$ 4,021 |
| Conferences and Meetings | 2,446 | 2,269 | 4,715 | - | - | - | 4,715 |
| Depreciation and Amortization | 30,695 | 26,039 | 56,734 | 6,304 | - | 6,304 | 63,038 |
| Dues and Subscriptions | 933 | 2,082 | 3,015 | - | - | - | 3,015 |
| Employee Benefits | 4,195 | 4,195 | 8,390 | 25,166 | - | 25,166 | 33,556 |
| Fees and Licenses | 185 | 100 | 285 | 205 | - | 205 | 490 |
| Insurance | 11,685 | 11,687 | 23,372 | - | - | - | 23,372 |
| Maintenance and Repairs | 21,206 | 21,502 | 42,708 | 4,877 | - | 4,877 | 47,585 |
| Miscellaneous | 478 | 2,759 | 3,237 | 150 | - | 150 | 3,387 |
| Occupancy | 9,177 | 14,367 | 23,544 | 1,598 | - | 1,598 | 25,142 |
| Payroll Taxes | 19,854 | 23,725 | 43,579 | 6,586 | 607 | 7,193 | 50,772 |
| Professional Fees | 16,421 | 16,421 | 32,842 | 4,105 | 4,105 | 8,210 | 41,052 |
| Salaries | 246,771 | 294,687 | 541,458 | 82,856 | 7,727 | 90,583 | 632,041 |
| Special Events | - | - | - | - | 24,299 | 24,299 | 24,299 |
| Supplies and General Expenses | 34,129 | 29,330 | 63,459 | 11,213 | - | 11,213 | 74,672 |
| Teacher Appreciation | 272 | 282 | 554 | - | - | - | 554 |
| Travel | 80 | 233 | 313 | - | - | - | 313 |
| United Way Grant Expenses | 2,354 | 49,173 | 51,527 | - | - | - | 51,527 |
| Totals | <u>\$ 402,639</u> | <u>\$ 499,506</u> | <u>\$ 902,145</u> | <u>\$ 144,266</u> | <u>\$ 37,140</u> | <u>\$ 181,406</u> | <u>\$ 1,083,551</u> |

See notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

| | 2020 | 2019 |
|-------------------------------------------------------------------------------------------------------|-------------------|------------------|
| Cash Flows from Operating Activities | | |
| Change in Net Assets | \$ (28,650) | \$ (38,933) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation and Amortization | 62,411 | 63,038 |
| Realized Loss (Gain) on Investments | 4,280 | 7,095 |
| Unrealized Loss (Gain) on Investments | (8,573) | (31,030) |
| Reinvested Dividends and Interest, Net of Fees | (11,243) | (18,200) |
| (Increase) Decrease in: | | |
| Accounts Receivable - Fees | (3,550) | (617) |
| Accounts Receivable - Government Assistance | - | (3,378) |
| Prepaid Expenses | (599) | 756 |
| Increase (Decrease) in: | | |
| Accounts Payable | (7,967) | 6,411 |
| Payroll Deductions Payable | 1,549 | 1,763 |
| Deferred Revenue | - | 4,425 |
| Total Adjustments | 36,308 | 30,263 |
| Net Cash Provided (Used) by Operating Activities | 7,658 | (8,670) |
| Cash Flows from Investing Activities | | |
| Cash Payments for the Purchase of Investments | (295,949) | (316,106) |
| Cash Proceeds from the Sale of Investments | 286,908 | 310,472 |
| Transfers from Investments | 37 | 76,186 |
| Payments for the Purchase of Property and Equipment | (2,651) | (32,285) |
| Net Cash Provided (Used) by Investing Activities | (11,655) | 38,267 |
| Cash Flows from Financing Activities | | |
| Proceeds from PPP Loan | 142,658 | - |
| Net Cash Provided (Used) by Financing Activities | 142,658 | - |
| Net Increase in Cash | 138,661 | 29,597 |
| Cash - Beginning of Year | 90,559 | 60,962 |
| Cash - End of Year | <u>\$ 229,220</u> | <u>\$ 90,559</u> |
| Supplemental Cash Flow Disclosure: | | |
| Non-Cash Investing Transactions: | | |
| Reinvested Dividends on Investments | <u>\$ 22,044</u> | <u>\$ 26,997</u> |

See notes to financial statements.

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Notes to Financial Statements

June 30, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies

Organization and Nature of Activities

The King's Daughters Day Home d/b/a The King's Daughters Development Center (the Day Home) is a United Way supported, not-for-profit 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.

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 (US GAAP).

Financial Statement Presentation

The net assets of the Day Home and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – 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.

Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Day Home defines cash and cash equivalents to include only cash on hand and deposits in banks. Funds held with investment brokers are considered investments in the financial statements. As of June 30, 2020 and 2019, there are no cash equivalents.

Accounts Receivable

Accounts receivable result from billings for tuition and fees. Accounts receivable are 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, 2020 and 2019, the Day Home had no allowance for doubtful accounts receivable.

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Notes to Financial Statements

June 30, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies – Continued

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, 2020 and 2019.

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 net assets with donor restrictions, depending on the nature of the restriction. 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 statements 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 estimated fair values in the period received.

Program service fees are recognized when earned. Deferred revenue consists of receipts for billings for the subsequent year.

Income Taxes

The Day Home is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except on net income derived from unrelated business income.

Functional Expenses

The costs of providing program services have been summarized on a functional basis in the statements of activities. Some costs have been charged using specific identification. Costs that include a reasonable allocation method are as follows:

| Expense | Method of Allocation |
|---------------------------|-----------------------------|
| Depreciation | Square Footage |
| Employee Benefits | Time and Effort |
| Occupancy | Square Footage |
| Payroll Taxes | Time and Effort |
| Professional Fees | Time and Effort |
| Salaries | Time and Effort |
| Travel | Time and Effort |
| United Way Grant Expenses | Time and Effort |

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

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Notes to Financial Statements

June 30, 2020 and 2019

Note 1 – Summary of Significant Accounting Policies – Continued

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 Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).

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 ASC. 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.

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 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 ranging from 3-40 years.

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. The Day Home received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Day Home has elected to treat the PPP loan as debt. The Day Home has not recorded accrued interest due on the note through fiscal year-end as the amount is immaterial.

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Notes to Financial Statements

June 30, 2020 and 2019

Note 2 – Availability and Liquidity

The following represents the Day Home's financial assets at June 30, 2020:

| Financial Assets: | 2020 | 2019 |
|----------------------------------------------------------------------------------------|---------------------|---------------------|
| Cash | \$ 229,222 | \$ 90,559 |
| Investments | 924,356 | 899,816 |
| Accounts Receivable - Fees | 7,587 | 4,037 |
| Accounts Receivable - Government Assistance | 12,694 | 12,694 |
| Total financial assets at year end: | <u>1,173,859</u> | <u>1,007,106</u> |
| Less amounts not available to be used within on year: | | |
| Net assets with donor restrictions | 29,694 | 15,137 |
| Less net assets with time or purpose restrictions to be met in less than a year | <u>(29,694)</u> | <u>(15,137)</u> |
| | <u>-</u> | <u>-</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,173,859</u> | <u>\$ 1,007,106</u> |

The Day Home's goal is to maintain financial assets to meet 90 days of operating expenses which is estimated by the Day Home to be \$273,000. As part of its liquidity plan, excess cash is invested in securities and money market accounts.

Note 3 – Investments

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

| 2020 | | | |
|-----------------------|-------------------|-------------------|-----------------------------------|
| | Fair Market Value | Cost | Cumulative Unrealized Gain (Loss) |
| Interest-Bearing Cash | \$ 28,720 | \$ 28,720 | \$ - |
| Mutual Funds | 895,636 | 878,387 | 17,249 |
| | <u>\$ 924,356</u> | <u>\$ 907,107</u> | <u>\$ 17,249</u> |
| 2019 | | | |
| | Fair Market Value | Cost | Cumulative Unrealized Gain (Loss) |
| Interest-Bearing Cash | \$ 46,289 | \$ 46,289 | \$ - |
| Mutual Funds | 853,527 | 844,861 | 8,666 |
| | <u>\$ 899,816</u> | <u>\$ 891,150</u> | <u>\$ 8,666</u> |

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Notes to Financial Statements

June 30, 2020 and 2019

Note 3 – Investments – Continued

Investment income for the years ended June 30 consisted of the following:

| | 2020 | 2019 |
|---------------------------------------|------------------|------------------|
| Interest and Dividend Income | \$ 31,138 | \$ 33,073 |
| Realized Gain (Loss) on Investments | (4,280) | (7,095) |
| Unrealized Gain (Loss) on Investments | 8,573 | 31,030 |
| Investment Fees | (9,815) | (9,360) |
| Total Investment Income | <u>\$ 25,616</u> | <u>\$ 47,648</u> |

Note 4 – 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 is as follows:

| Asset | Fair Value June 30, 2020 | (Level 1) |
|--------------|---------------------------------|------------------|
| Mutual Funds | \$ 895,636 | \$ 895,636 |

| Asset | Fair Value June 30, 2019 | (Level 1) |
|--------------|---------------------------------|------------------|
| Mutual Funds | \$ 853,527 | \$ 853,527 |

Note 5 – Net Assets With Donor Restrictions

Net assets with donor restrictions as of June 30 include the following:

| | 2020 | 2019 |
|------------------------------------------|------------------|------------------|
| Literacy | \$ 7,000 | \$ 1,541 |
| Salaries and Professional Development | 22,694 | 13,596 |
| Total Net Assets With Donor Restrictions | <u>\$ 29,694</u> | <u>\$ 15,137</u> |

Note 6 – Concentrations

The Day Home is exposed to concentrations of risk regarding grants received from the United Way. During the years ended June 30, 2020 and 2019, the United Way grant represented 10% of total revenue for each year.

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Notes to Financial Statements

June 30, 2020 and 2019

Note 7 – Donated Property, Equipment, Facilities, and Services

Donated property, equipment, and services are used in the ongoing operations of The Day Home. The value of donated property, equipment, facilities, and services included in the financial statements and the corresponding expenditure or asset capitalization for the years ended June 30 are as follows:

| Revenues | 2020 | 2019 |
|-----------------------|-----------------|------------------|
| Professional Services | \$ 5,600 | \$ 5,925 |
| Special Events | - | 5,000 |
| Total | <u>\$ 5,600</u> | <u>\$ 10,925</u> |
| Expenses | 2020 | 2019 |
| Professional Fees | \$ 5,600 | \$ 5,925 |
| Special Events | - | 5,000 |
| Total | <u>\$ 5,600</u> | <u>\$ 10,925</u> |

Note 8 – Leases

The Day Home leases equipment in accordance with the following agreements:

The dishwashing equipment lease is a one year lease that automatically renews each year upon expiration. Monthly lease payments are \$182.

The Xerox copier lease is a 60 month lease that will terminate in October 2022. Monthly lease payments are \$193.

The PODS portable storage unit is a month-to-month lease with monthly payments of \$129.

The following is a schedule by year, of future year's minimum rental payments as of June 30, 2020:

| Year Ended June 30, | Annual Lease Payments |
|----------------------------|------------------------------|
| 2021 | 2,316 |
| 2022 | 2,316 |
| 2023 | 772 |
| Total | <u>\$ 5,404</u> |

Rental expense was \$6,176 and \$8,323 for the years ended June 30, 2020 and 2019.

Note 9 – Employee Benefit Plan

The Day Home maintains a Savings Incentive Match (SIMPLE) 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, 2020 and 2019, \$8,649 and \$4,380 in contributions were made to the SIMPLE plan.

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Notes to Financial Statements

June 30, 2020 and 2019

Note 10 – Line of Credit

The Day Home has a \$100,000 line of credit with a financial institution. The line is secured by real property. The terms of the line of credit allow the Day Home to borrow funds until October 6, 2026. At that time, any balance plus accrued interest of 4.5% will be due. The balance for the line of credit as of June 30, 2020 and 2019 was \$0.

Note 11 – PPP Loan

The Day Home received a loan in the amount of \$142,658 on April 20, 2020 in accordance with the PPP section of the CARES Act. Under this loan program, the entity may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of the report date, management is actively monitoring qualifying conditions to maximize future loan forgiveness and has expended 100% on potential qualifying costs as defined by the legislation. The unsecured note bears interest at 1.00% and matures on April 20, 2022.

Note 12 – Upcoming Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This new accounting guidance will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard is effective for non-public entities for fiscal years beginning after December 15, 2021.

The Day Home is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Note 13 – 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, 2020 through February 22, 2021, the date the financial statements were available to be issued.

Supplementary Information

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Schedule of Support, Revenues and Expenses - Budget to Actual

For the Year Ended June 30, 2020

| | Actual | Budget | Variance Favorable (Unfavorable) |
|------------------------------------------------------|--------------------|------------------|-------------------------------------------------|
| Support and Revenues | | | |
| Contributions | \$ 75,132 | \$ 131,950 | \$ (56,818) |
| United Way | 108,930 | 108,000 | 930 |
| Government Fees and Grants | 182,201 | 137,000 | 45,201 |
| Other Grants | 200,610 | 150,000 | 50,610 |
| Fundraising Events | 13,750 | 60,000 | (46,250) |
| In-Kind Donations | 5,600 | - | 5,600 |
| Program Service Fees | 444,307 | 509,000 | (64,693) |
| Interest and Dividend Income | 31,138 | - | 31,138 |
| Realized Gain (Loss) on Investments | (4,280) | - | (4,280) |
| Unrealized Gain (Loss) on Investments | 8,573 | - | 8,573 |
| Investment Fees | (9,815) | - | (9,815) |
| Total Support and Revenues | <u>1,056,146</u> | <u>1,095,950</u> | <u>(39,804)</u> |
| Expenses | | | |
| Communication | 3,487 | 4,050 | 563 |
| Conferences and Meetings | 2,848 | 5,000 | 2,152 |
| Depreciation and Amortization | 62,411 | - | (62,411) |
| Dues and Subscriptions | 2,563 | 3,600 | 1,037 |
| Employee Benefits | 37,535 | 41,500 | 3,965 |
| Fees and Licenses | 458 | 500 | 42 |
| Insurance | 24,786 | 25,400 | 614 |
| Maintenance and Repairs | 48,157 | 56,900 | 8,743 |
| Miscellaneous | 4,142 | 3,350 | (792) |
| Occupancy | 23,982 | 24,100 | 118 |
| Payroll Taxes | 54,590 | 56,200 | 1,610 |
| Professional Fees | 26,328 | 25,650 | (678) |
| Salaries | 680,454 | 717,500 | 37,046 |
| Special Events | 7,858 | 16,300 | 8,442 |
| Supplies and General Expenses | 71,163 | 74,800 | 3,637 |
| Teacher Appreciation | 685 | 500 | (185) |
| Travel | 255 | 600 | 345 |
| United Way Grant Expenses | 33,094 | 40,000 | 6,906 |
| Total Expenses | <u>1,084,796</u> | <u>1,095,950</u> | <u>11,154</u> |
| Excess (Deficiency) of Revenues over Expenses | <u>\$ (28,650)</u> | <u>\$ -</u> | <u>\$ (28,650)</u> |

See independent auditor's report.

THE KING'S DAUGHTERS DAY HOME
d/b/a THE KING'S DAUGHTERS CHILD DEVELOPMENT CENTER
Schedule of Support, Revenues and Expenses - Budget to Actual

For the Year Ended June 30, 2019

| | Actual | Budget | Variance Favorable (Unfavorable) |
|------------------------------------------------------|--------------------|------------------|-------------------------------------------------|
| Support and Revenues | | | |
| Contributions | \$ 36,306 | \$ 201,800 | \$ (165,494) |
| United Way | 108,000 | 108,000 | - |
| Government Fees and Grants | 153,999 | 119,755 | 34,244 |
| Other Grants | 148,173 | 100,000 | 48,173 |
| Fundraising Events | 32,785 | 64,000 | (31,215) |
| In-Kind Donations | 10,925 | - | 10,925 |
| Program Service Fees | 506,782 | 482,700 | 24,082 |
| Interest and Dividend Income | 33,073 | - | 33,073 |
| Realized Gain (Loss) on Investments | (7,095) | - | (7,095) |
| Unrealized Gain (Loss) on Investments | 31,030 | - | 31,030 |
| Investment Fees | (9,360) | - | (9,360) |
| Total Support and Revenues | <u>1,044,618</u> | <u>1,076,255</u> | <u>(31,637)</u> |
| Expenses | | | |
| Communication | 4,021 | 4,550 | 529 |
| Conferences and Meetings | 4,715 | 6,500 | 1,785 |
| Depreciation and Amortization | 63,038 | - | (63,038) |
| Dues and Subscriptions | 3,015 | 2,350 | (665) |
| Employee Benefits | 33,556 | 35,500 | 1,944 |
| Fees and Licenses | 490 | 250 | (240) |
| Insurance | 23,372 | 27,600 | 4,228 |
| Maintenance and Repairs | 47,585 | 79,600 | 32,015 |
| Miscellaneous | 3,387 | 8,250 | 4,863 |
| Occupancy | 25,142 | 24,050 | (1,092) |
| Payroll Taxes | 50,772 | 50,750 | (22) |
| Professional Fees | 41,052 | 32,900 | (8,152) |
| Salaries | 632,041 | 670,400 | 38,359 |
| Special Events | 24,299 | 18,500 | (5,799) |
| Supplies and General Expenses | 74,672 | 73,240 | (1,432) |
| Teacher Appreciation | 554 | 500 | (54) |
| Travel | 313 | 1,315 | 1,002 |
| United Way Grant Expenses | 51,527 | 40,000 | (11,527) |
| Total Expenses | <u>1,083,551</u> | <u>1,076,255</u> | <u>(7,296)</u> |
| Excess (Deficiency) of Revenues over Expenses | <u>\$ (38,933)</u> | <u>\$ -</u> | <u>\$ (38,933)</u> |

See independent auditor's report.