

**McNEILLY CENTER FOR CHILDREN, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2020**

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McNEILLY CENTER FOR CHILDREN, INC.
Roster of Board Members
June 30, 2020

Executive Board Directors

Olivia Huggins, Chair
Adam Corey Jarvis, Vice-Chair
Courtney Bach, CPA, Treasurer
Stephanie Grounder, Secretary
Chris Puri, Past Chair
Nelda Fulghum, Executive Director

Directors

Becca Arnold
Stratton Huggins
Marty Mayer
Whitney Schickling
Brooks Spellings
Matt Woods
Diana Fassbender
Alisha Haddock
Cassie Renease Perkins
Sherry McHale
Sean O'Brien



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
McNeilly Center for Children, Inc.
Nashville, TN

Report on the Financial Statements

We have audited the accompanying financial statements of McNeilly Center for Children, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit 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 McNeilly Center for Children, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, reading "Cowart Reese Sargent". The signature is fluid and cursive, with a long horizontal flourish extending from the end.

Cowart Reese Sargent, CPAs, P.C.
Jackson, TN

December 7, 2020

McNEILLY CENTER FOR CHILDREN, INC
Statement of Financial Position
June 30, 2020

<u>ASSETS</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Current Assets			
Cash & Cash Equivalents	\$ 849,354	\$ 32,929	\$ 882,283
Tuition Receivable	568	-	568
Allowance for Tuition Receivable	(284)	-	(284)
Accounts Receivable - Programs	158,722	-	158,722
Prepaid Expenses	4,136	-	4,136
Total Current Assets	<u>1,012,496</u>	<u>32,929</u>	<u>1,045,425</u>
Long Term Investments			
Certificates of Deposit	773,634	-	773,634
Community Foundation	134,121	-	134,121
	<u>907,755</u>		<u>907,755</u>
Property and Equipment - at cost			
Land	31,000	-	31,000
Building	1,073,575	-	1,073,575
Equipment	358,558	-	358,558
	<u>1,463,133</u>	<u>-</u>	<u>1,463,133</u>
Less Accumulated Depreciation	(1,139,493)	-	(1,139,493)
Net Fixed Assets	<u>323,640</u>	<u>-</u>	<u>323,640</u>
 TOTAL ASSETS	 <u>\$ 2,243,891</u>	 <u>\$ 32,929</u>	 <u>\$ 2,276,820</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities			
Accounts Payable	\$ 18,247	\$ -	\$ 18,247
Accrued Salaries and Benefits	142,071	-	142,071
Unearned Grant Revenue	19,238	-	19,238
Total Current Liabilities	<u>179,556</u>	<u>-</u>	<u>179,556</u>
 TOTAL LIABILITIES	 <u>179,556</u>	 <u>-</u>	 <u>179,556</u>
Net Assets			
Net Assets - undesignated	1,930,214	32,929	1,963,143
Net Assets - designated	134,121	-	134,121
TOTAL NET ASSETS	<u>2,064,335</u>	<u>32,929</u>	<u>2,097,264</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,243,891</u>	 <u>\$ 32,929</u>	 <u>\$ 2,276,820</u>

The accompanying notes are an integral part of the financial statements.

McNEILLY CENTER FOR CHILDREN, INC
Statement of Activities
For the Year Ended June 30, 2020

<u>SUPPORT & REVENUE</u>	Without Donor Restrictions	With Donor Restrictions	Total
USDA - Child Care Food Program	\$ 172,206	\$ -	\$ 172,206
DHS Revenues	1,244,825	-	1,244,825
United Way	379,453	-	379,453
Client Fee	293,912	-	293,912
Special Events and Other Fundraising	92,864	-	92,864
Grant Revenue	246,298	45,788	292,086
Gifts	6,146	-	6,146
Early HeadStart	374,400	-	374,400
Investment Income/(Loss) - Endowment (Net of Trust Fees \$1,309)	3,611	-	3,611
Interest Income	23,604	-	23,604
Miscellaneous Income	436,446	-	436,446
Net Assets Released via Satisfaction of donor restrictions	32,206	(32,206)	-
Total Support & Revenue	3,305,971	13,582	3,319,553
<u>EXPENSES</u>			
Program Services:			
Child Day Care	2,437,821	-	2,437,821
Supporting Services:			
Management and General	178,671	-	178,671
Fundraising	94,453	-	94,453
Total Expenses	2,710,945	-	2,710,945
Increase(Decrease) in Net Assets	595,026	13,582	608,608
Net Assets -			
Beginning of year	1,469,309	19,347	1,488,656
End of Year	\$ 2,064,335	\$ 32,929	\$ 2,097,264

The accompanying notes are an integral part of the financial statements.

McNEILLY CENTER FOR CHILDREN, INC
Statement of Functional Expenses
For the Year Ended June 30, 2021

	PROGRAM SERVICES	SUPPORTING SERVICES			Total Expenses
	Child Day Care	Management & General	Fund Raising	Total	
Salaries	\$ 1,627,955	\$ 126,045	\$ 74,154	\$ 200,199	\$ 1,828,154
Fringe Benefits	226,029	16,032	7,139	23,171	249,200
Travel	4,493	1,351	-	1,351	5,844
Communication	7,939	408	408	816	8,755
Occupancy	203,203	5,996	565	6,561	209,764
Professional Services	7,265	26,240	2,337	28,577	35,842
Supplies	80,161	-	644	644	80,805
Repairs & Maintenance	29,209	-	-	-	29,209
Food Costs	156,754	-	-	-	156,754
Printing & Publications	249	516	1,294	1,810	2,059
Postage	7	8	-	8	15
Bad Debt Expense	(4,263)	-	-	-	(4,263)
Training & Meetings	22,551	1,330	-	1,330	23,881
Enrichment / Field Trips	19,947	-	-	-	19,947
Dues & Licenses	2,745	-	-	-	2,745
Minor Equipment Purchases	31,353	725	-	725	32,078
Depreciation Expense	22,224	-	-	-	22,224
Miscellaneous	-	20	7,912	7,932	7,932
TOTAL FUNCTIONAL EXPENSES	\$ 2,437,821	\$ 178,671	\$ 94,453	\$ 273,124	\$ 2,710,945

The accompanying notes are an integral part of the financial statements.

McNEILLY CENTER FOR CHILDREN, INC
Statement of Cash Flows
For the Year Ended June 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Cash Flow from Operating Activities:			
Changes in net assets	\$ 595,026	\$ 13,582	\$ 608,608
Adjustments to reconcile change in net assets to net cash used by			
Operating activities:			
Depreciation	22,224	-	22,224
Unrealized (Gain)/Loss on investments	(1,893)	-	(1,893)
Bad debt expense	(4,263)	-	(4,263)
(Increase) Decrease in accounts and tuition receivable	(45,862)	-	(45,862)
(Increase) Decrease prepaid expenses	4,742	-	4,742
Increase (Decrease) in accounts payable	(7,901)	-	(7,901)
Increase (Decrease) in salaries and wages payable	16,733	-	16,733
Increase (Decrease) in unearned revenue	10,764	-	10,764
Net cash provided (used) by operating activities	<u>589,570</u>	<u>13,582</u>	<u>603,152</u>
Cash Flow from Investing Activities:			
Purchase of Investments	(20,571)	-	(20,571)
Proceeds from sales of investments	6,600	-	6,600
Purchase of property and equipment	(33,546)	-	(33,546)
Net cash provided (used) by investing activities	<u>(47,517)</u>	<u>-</u>	<u>(47,517)</u>
Net increase (decrease) in cash and cash equivalents	542,053	13,582	555,635
Cash and cash equivalents at beginning of year	<u>307,301</u>	<u>19,347</u>	<u>326,648</u>
Cash and cash equivalents at end of year	<u>\$ 849,354</u>	<u>\$ 32,929</u>	<u>\$ 882,283</u>
Supplemental Data:			
Interest paid	\$ -		

The accompanying notes are an integral part of the financial statements.

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements
June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

McNeilly Center for Children, Inc. (the Organization) is a nonprofit organization, serving Nashville, Tennessee. The Organization provides day care services to working families, emphasizing a quality education and nutrition program for children ages six weeks to five years. The Organization receives a substantial amount of its support from the Tennessee Department of Human Services, Child and Adult Care Food Program, and Head Start.

Financial Statement Presentation

Financial Statements of the Organization are presented on the accrual basis of accounting in accordance with generally accepted accounting principles for non-profit organizations.

The Organization has adopted FASB ASC 958-210. Under FASB ASC 958-210, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. In addition, the Organization is required to present a statement of functional expenses and a statement of cash flows. As permitted by the statement, the Organization does not use fund accounting.

Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and change therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or may not be met either by actions of the Organization and/or the passage of time. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

State grants and other revenues which are restricted for the stated uses by the Organization are reported as revenue without donor restrictions when these funds are received and spent during the same year as permitted by ASC 958-210.

Contributions

Contributions received are recorded as without or with donor restrictions, depending on the existence or nature of any donor restrictions. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets in the period received.

All donor-restricted support is reported as an increase in net assets with donor restrictions. 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 statement of activities as net assets released from restriction. Contributions for which the donor's restrictions are met in the same period in which the gift is received are reported as support without donor restrictions.

Investments – Board Designated Endowment

The Organization has adopted an investment policy for board designated Endowment funds. The policy attempts to maximize total return consistent with an acceptable level of risk. The Organization has adopted the investment provisions of ASC 958 Not-for-Profit Entities. Under ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

As of June 30, 2020, the Board of Directors had designated \$134,121 of net assets without donor restriction as a general endowment fund to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as net assets without donor restrictions. Per the contract with the fiduciary, up to 5% of the fund is able to be spent annually.

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements
June 30, 2020

1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at unpaid balances of fees for services rendered, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of parents to meet their obligations. Receivables are considered impaired and written off if payments are not received in accordance with the contractual terms.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor 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 contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method; buildings over an estimated useful life of forty years, equipment, furniture and fixtures over an estimated useful life of five to ten years.

Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount and fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and classified by the Internal Revenue Services as other than a private foundation.

Functional Expenses

The Organization has allocated functional expenses between Program Services and Supporting Services based on an analysis of personnel time and space utilized for the related activities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Because of the inherent uncertainties in estimating, it is at least reasonably possible that the estimates used will change within the near term. Accordingly, actual results could differ from those estimates.

2. FUNDING

The Organization receives a substantial amount of its support from the Tennessee Department of Human Services, Child and Adult Care Food Program, and Head Start. A major reduction of funds by the grantor agencies, should this occur, may have a significant effect on future operations. Additionally, a majority of the Organization's receivables are from these sources. Management is not aware of any planned changes in the level of funding.

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements
June 30, 2020

3. ACCOUNTS RECEIVABLE - PROGRAM

At June 30, 2020, accounts receivable from the following agencies were as follows:

DHS	\$ 117,575
Head Start/Early Head Start	31,200
CACFP	8,276
FEP Grant	1,671
Total	<u>\$ 158,722</u>

4. FIXED ASSETS

The following changes in fixed assets occurred during the period July 1, 2019, through June 30, 2020:

	Balance on July 1, 2019	Additions	Deletions	Balance on June 30, 2020
Land	31,000	\$ -	\$ -	\$ 31,000
Buildings and Improvements	1,040,029	33,546	-	1,073,575
Equipment	360,498	-	(1,940)	358,558
Total	1,431,527	33,546	(1,940)	1,463,133
Accumulated Depreciation	(1,119,208)	(22,224)	1,939	(1,139,493)
Total Net Fixed Assets	<u>\$ 312,319</u>			<u>\$ 323,640</u>

5. LONG-TERM INVESTMENTS

Investment assets consist partially of securities held by The Community Foundation of Middle Tennessee. The investments are subject to market risk and thusly could lose some or all of their value. Securities measured at fair value using Level 1 inputs, which are quoted prices in an active market. The historical costs and market (fair) values of the securities at June 30, 2020, are as follows:

	Cost	Market Value	Unrealized Appreciation (Depreciation)
Community Foundation Account	\$ 118,707	\$ 134,121	\$ 15,414
Total	<u>\$ 118,707</u>	<u>\$ 134,121</u>	<u>\$ 15,414</u>

The following schedule summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of June 30, 2020:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Community Foundation Account	<u>\$ 134,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,121</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended June 30, 2020:

	Without Donor Restrictions - Board Designated
Interest & Dividend Income	\$ 3,027
Net Realized & Unrealized Gains (Losses)	1,893
Investment Fees	(1,309)
Total	<u>\$ 3,611</u>

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements
June 30, 2020

5. LONG-TERM INVESTMENTS (CONTINUED)

Changes in Endowment (Board Designated) net assets as of June 30, 2020, are as follows:

	Amount
Endowment net assets, beginning of year	\$ 137,110
Contribution	-
Investment Return (see above)	3,611
Withdrawals	(6,600)
Endowment net assets, end of year	<u>\$ 134,121</u>

Long-term investments also consist of Certificates of Deposit (CDs). These CDs have interest rates ranging from 2.62% to 3.21%, and maturity dates ranging from October 14, 2020 to June 14, 2022. The balance of these CDs at June 30, 2020 (including accrued interest income) was \$773,634.

6. COMPENSATED ABSENCES

Employees of the Organization are entitled to paid vacation depending on length of service. The Organization advances vacation leave to employees at the beginning of each fiscal year on July 1. Unused vacation leave can be carried forward past the Organization's fiscal year end June 30. Therefore, \$56,912 of vacation leave was due to employees at June 30, 2020. Accordingly, a liability has been recorded. This amount is included in the accrual for salaries and benefits in current liabilities.

7. PENSION PLANS

The agency adopted a thrift pension plan under section 403(b) of the Internal Revenue Code with an effective date of January 1, 1994. Eligible employees may make voluntary contributions to the plan subject to Internal Revenue Service limitations. The Organization may make discretionary contributions to the plan for eligible employees.

Amounts contributed by the Organization to the plan for the year ended June 30, 2020 was \$8,743.

8. LEASES

The Organization leases space on a month-to-month basis. Lease expense for the year ending June 30, 2020, was \$58,000.

9. SPECIAL EVENTS

The Organization hosted two fundraisers. The following schedule presents the revenue and expense associated with those events:

Actual revenue received by the Organization for special events	\$ 34,752
Actual expenses the Organization incurred for special events	(2,400)
Net Amount	<u>\$ 32,352</u>

10. CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances and certificates of deposit at one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. As of June 30, 2020, the uninsured balance is \$1,372,988. The Organization believes it is not exposed to any significant credit risk on its cash balances.

McNEILLY CENTER FOR CHILDREN, INC.
Notes to the Financial Statements
June 30, 2020

11. PAYCHECK PROTECTION PROGRAM

In May 2020 an unsecured note payable was issued to the Organization for \$343,800. This was issued through Renasant Bank; however, this is a federal SBA loan issued as a result of the Paycheck Protection Program in response to the COVID-19 pandemic. The interest rate is listed as 1% and the loan matures two years after its issuance. The loan payments are deferred for six months. No collateral was required and no fees were charged to the Organization upon the issuance of the note. Because the conditions have been met for forgiveness, this is considered to be a conditional contribution that resulted in the recognition of the revenue in the current year. The amount is included in Miscellaneous Income.

12. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of June 30, 2020, reduced by the amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Cash and Cash Equivalents	\$ 849,354
Accounts/Grants Receivable	159,006
Total	<u>1,008,360</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	<u>(32,929)</u>
 Financial assets available to meet cash needs for general expenditures within one year.	 <u>\$ 975,431</u>

As of June 30, 2020, \$39,929 of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and cash equivalents, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$451,824. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

In addition to the current assets in the table above, the Organization could access the certificates of deposit mentioned in Note 5.

13. SUBSEQUENT EVENTS

Management of the Organization has evaluated subsequent events through December 7, 2020, the date which the financial statements were available to be issued. The Organization has been impacted by the COVID-19 pandemic. There could be a possible decrease in revenue due to the pandemic.

- END OF NOTES -

McNEILLY CENTER FOR CHILDREN, INC.
Schedule of Findings and Responses
For the year ending June 30, 2020

Financial Statement Findings

No current year findings noted

McNEILLY CENTER FOR CHILDREN, INC.
Schedule of Prior Year Findings
For the year ending June 30, 2020

Prior Year Findings

None noted