

**FANNIE BATTLE DAY HOME FOR  
CHILDREN, INC. AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**June 30, 2013 and 2012**

**FANNIE BATTLE DAY HOME FOR  
CHILDREN, INC. AND AFFILIATE**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Fannie Battle Day Home for Children, Inc. and Affiliate  
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Fannie Battle Day Home for Children, Inc. and Affiliate (a nonprofit organization) which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fannie Battle Day Home for Children, Inc. and Affiliate as of June 30, 2013 and 2012, and the changes in their net assets and their 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 consolidated financial statements as a whole. The consolidating information on pages 18 through 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations. 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 consolidated 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 consolidated financial statements as a whole.

*Frasier, Du + Howard, PLLC*

November 7, 2013

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 72,777	\$ 19,725
Investments	193,861	207,628
Accounts receivable	121,710	165,307
Contributions receivable	-	21,536
Prepaid expenses	19,866	21,011
Total current assets	<u>408,214</u>	<u>435,207</u>
Property and equipment:		
Land	178,000	178,000
Buildings	1,354,498	1,354,498
Equipment	121,954	112,322
Playground	120,110	115,888
	1,774,562	1,760,708
Less: accumulated depreciation	<u>(148,621)</u>	<u>(101,682)</u>
Property and equipment, net	<u>1,625,941</u>	<u>1,659,026</u>
Investments designated for endowment	<u>711,563</u>	<u>677,718</u>
Total assets	<u><u>\$ 2,745,718</u></u>	<u><u>\$ 2,771,951</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Checks issued in excess of deposits	\$ -	\$ 19,921
Accounts payable	22,276	1,145
Accrued expenses	5,470	6,972
Total current liabilities	<u>27,746</u>	<u>28,038</u>
Noncurrent liabilities:		
Note payable	250,072	-
Line of credit	-	299,985
Total liabilities	<u>277,818</u>	<u>328,023</u>
Net assets:		
Board designated	715,387	685,096
Other unrestricted	1,701,523	1,734,792
Total unrestricted	2,416,910	2,419,888
Temporarily restricted	50,990	24,040
Total net assets	<u>2,467,900</u>	<u>2,443,928</u>
Total liabilities and net assets	<u><u>\$ 2,745,718</u></u>	<u><u>\$ 2,771,951</u></u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2013**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Total</b></u>
Public support and revenues:			
Public support:			
Contributions	\$ 163,387	\$ 43,000	\$ 206,387
Membership fund-raising activities	100,940	-	100,940
Capital campaign contributions	69,401	-	69,401
	<u>333,728</u>	<u>43,000</u>	<u>376,728</u>
Total public support			
Revenues:			
Day home fees	369,794	7,990	377,784
Grants	195,290	-	195,290
DHS food subsidies	68,293	-	68,293
Investment return, net	54,795	-	54,795
	<u>688,172</u>	<u>7,990</u>	<u>696,162</u>
Total revenues			
Net assets released from restrictions	<u>24,040</u>	<u>(24,040)</u>	<u>-</u>
Total public support and revenues	<u>1,045,940</u>	<u>26,950</u>	<u>1,072,890</u>
Expenses:			
Program services	807,387	-	807,387
Supporting services	241,531	-	241,531
	<u>1,048,918</u>	<u>-</u>	<u>1,048,918</u>
Total expenses			
Change in net assets	(2,978)	26,950	23,972
Net assets - beginning of year	<u>2,419,888</u>	<u>24,040</u>	<u>2,443,928</u>
Net assets - end of year	<u><u>\$ 2,416,910</u></u>	<u><u>\$ 50,990</u></u>	<u><u>\$ 2,467,900</u></u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2012**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Total</b></u>
Public support and revenues:			
Public support:			
Capital campaign contributions	\$ 198,662	\$ -	\$ 198,662
Contributions	172,434	24,040	196,474
Membership fund-raising activities	105,184	-	105,184
	<u>476,280</u>	<u>24,040</u>	<u>500,320</u>
Revenues:			
Day home fees	372,053	-	372,053
Grants	222,224	-	222,224
DHS food subsidies	65,989	-	65,989
Investment return, net	(28,615)	-	(28,615)
	<u>631,651</u>	<u>-</u>	<u>631,651</u>
Net assets released from restrictions	<u>98,789</u>	<u>(98,789)</u>	<u>-</u>
	<u>1,206,720</u>	<u>(74,749)</u>	<u>1,131,971</u>
Expenses:			
Program services	766,542	-	766,542
Supporting services	283,948	-	283,948
	<u>1,050,490</u>	<u>-</u>	<u>1,050,490</u>
Change in net assets	156,230	(74,749)	81,481
Net assets - beginning of year	<u>2,263,658</u>	<u>98,789</u>	<u>2,362,447</u>
Net assets - end of year	<u><u>\$ 2,419,888</u></u>	<u><u>\$ 24,040</u></u>	<u><u>\$ 2,443,928</u></u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2013**

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 457,011	\$ 43,003	\$ 92,538	\$ 135,541	\$ 592,552
Repairs and maintenance	69,283	-	-	-	69,283
Groceries	62,110	-	-	-	62,110
Payroll taxes	30,387	3,290	7,079	10,369	40,756
Utilities	36,949	-	-	-	36,949
Children's enrichment	29,653	-	-	-	29,653
Legal and professional fees	-	-	27,882	27,882	27,882
Insurance	23,529	-	1,212	1,212	24,741
Employee benefits	16,973	1,543	3,527	5,070	22,043
Advertising and other fundraising	-	17,375	-	17,375	17,375
Interest	-	-	13,093	13,093	13,093
Printing	-	-	11,390	11,390	11,390
Auto expense	9,158	-	-	-	9,158
Capital campaign expenses	-	-	8,977	8,977	8,977
Classroom expenses	8,625	-	-	-	8,625
Teacher and family education	8,063	-	-	-	8,063
Office supplies and expenses	-	-	7,039	7,039	7,039
Miscellaneous	4,496	-	-	-	4,496
Security	3,016	-	-	-	3,016
Postage	-	-	2,108	2,108	2,108
Tuition reimbursement	-	-	1,475	1,475	1,475
Dues and subscriptions	1,195	-	-	-	1,195
	760,448	65,211	176,320	241,531	1,001,979
Depreciation	46,939	-	-	-	46,939
Total	<u>\$ 807,387</u>	<u>\$ 65,211</u>	<u>\$ 176,320</u>	<u>\$ 241,531</u>	<u>\$ 1,048,918</u>

See accompanying notes.



**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**For the year ended June 30, 2012**

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 446,698	\$ 56,551	\$ 96,811	\$ 153,362	\$ 600,060
Repairs and maintenance	57,069	-	-	-	57,069
Groceries	51,305	-	-	-	51,305
Payroll taxes	29,041	4,326	7,406	11,732	40,773
Utilities	33,312	-	-	-	33,312
Legal and professional fees	-	-	31,840	31,840	31,840
Children's enrichment	30,085	-	-	-	30,085
Moving and relocation expenses	-	-	29,439	29,439	29,439
Insurance	23,025	-	1,212	1,212	24,237
Employee benefits	16,164	1,940	3,448	5,388	21,552
Advertising and other fundraising	-	20,815	-	20,815	20,815
Printing	-	-	11,385	11,385	11,385
Auto expense	10,411	-	-	-	10,411
Interest	-	-	9,549	9,549	9,549
Classroom expenses	8,212	-	-	-	8,212
Office supplies and expenses	-	-	6,755	6,755	6,755
Teacher and family education	6,529	-	-	-	6,529
Dues and subscriptions	5,630	-	-	-	5,630
Security	4,686	-	-	-	4,686
Miscellaneous	3,995	-	-	-	3,995
Postage	-	-	1,666	1,666	1,666
Tuition reimbursement	-	-	805	805	805
	<u>726,162</u>	<u>83,632</u>	<u>200,316</u>	<u>283,948</u>	<u>1,010,110</u>
Depreciation	<u>40,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,380</u>
Total	<u>\$ 766,542</u>	<u>\$ 83,632</u>	<u>\$ 200,316</u>	<u>\$ 283,948</u>	<u>\$ 1,050,490</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 23,972	\$ 81,481
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for long-term purposes	-	(198,662)
Contribution of investments	(8,040)	(100)
Depreciation	46,939	40,380
Realized and unrealized (gain) loss on investments, net	(34,423)	52,898
Changes in operating assets and liabilities:		
Accounts receivable	43,597	(127,110)
Contributions receivable	21,536	18,404
Prepaid expenses	1,145	(8,055)
Accounts payable	21,131	(4,755)
Accrued expenses	(1,502)	3,479
Total adjustments	<u>90,383</u>	<u>(223,521)</u>
Net cash provided by (used in) operating activities	<u>114,355</u>	<u>(142,040)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	58,474	109,150
Purchase of investments	(36,089)	(51,246)
Purchase of property and equipment	<u>(13,854)</u>	<u>(559,980)</u>
Net cash provided by (used in) investing activities	<u>8,531</u>	<u>(502,076)</u>
Cash flows from financing activities:		
Proceeds from draw on line of credit	-	139,000
Principal payments on line of credit	(299,985)	-
Issuance of note payable	250,072	-
Contributions restricted for long-term purposes	<u>-</u>	<u>257,511</u>
Net cash (used in) provided by financing activities	<u>(49,913)</u>	<u>396,511</u>
Net increase (decrease) in cash and cash equivalents	72,973	(247,605)
Cash and cash equivalents - beginning of year	<u>(196)</u>	<u>247,409</u>
Cash and cash equivalents - end of year	<u><u>\$ 72,777</u></u>	<u><u>\$ (196)</u></u>
Cash and cash equivalents is presented as follows:		
Cash and cash equivalents	\$ 72,777	\$ 19,725
Checks written in excess of deposits	<u>-</u>	<u>(19,921)</u>
	<u><u>\$ 72,777</u></u>	<u><u>\$ (196)</u></u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 13,093</u>	<u>\$ 9,549</u>
Supplemental schedule of noncash investing and financing activities:		
Contributed investments	<u>\$ 8,040</u>	<u>\$ 100</u>
Property and equipment acquisitions financed	<u><u>\$ -</u></u>	<u><u>\$ 160,985</u></u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Fannie Battle Day Home for Children, Inc. (the “Organization”) is a not-for-profit corporation that maintains and operates a day home for the instruction and care of children of working parents and/or parents pursuing an education.

**Principles of Consolidation**

The financial statements include the accounts of the Fannie Battle Day Home for Children, Inc. and its affiliated supporting organization, Fannie Battle Day Home Endowment Fund, Inc. All significant inter-entity transactions and balances have been eliminated in consolidation.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. Contributions which are restricted for specific programs are reflected as unrestricted revenue if these funds are received and spent during the same fiscal year.

**Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Investments**

In accordance with accounting principles generally accepted in the United States of America, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Values**

The Organization has an established process for determining fair values. Fair values are based upon quoted market prices, where available. If listed prices or quotes are not available, fair values are based upon internally developed models or processes that use primarily market-based or independently-sourced market data. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

*Level 1* – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2* – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3* – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments are reported at fair value as reported by the respective funds using quoted market prices. Certificates of deposit are reported at cost which approximates fair market value. No changes in the valuation methodologies have been made during the period from July 1, 2011 through June 30, 2013.

**Receivables**

Accounts and contributions receivable are expected to be received within the coming fiscal year. Accounts and contributions receivable are reviewed periodically as to their collectability. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2013 and 2012.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Income Tax Status**

The Organization and its affiliated supporting organization are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code, and are classified as organizations that are not private foundations as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements.

The Organization follows Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) guidance concerning the accounting for income taxes recognized in an entity’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The guidance must be applied to all existing tax positions upon initial adoption. The Organization does not believe there are any uncertain tax positions at June 30, 2013 and 2012. Additionally, the Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended June 30, 2010 through June 30, 2013.

**Endowment Funds**

The Uniform Prudent Management Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. The FASB ASC provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board’s interpretation of the law that underlies the organization’s net asset classification of donor-restricted endowment funds, a description of the organization’s policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization’s endowment investment policies, and additional disclosures.

**Functional Allocation of Expenses**

The costs of providing program services and supporting services have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent Events**

The Organization evaluated subsequent events through November 7, 2013, when these financial statements were available to be issued. The Organization is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

**NOTE 2 – DHS SUBSIDIES**

The Organization receives monthly subsidies under the Department of Human Services (“DHS”) Food Nutrition and Child Assistance Programs. For the years ended June 30, 2013 and 2012, the Organization received \$216,152 and \$269,468 in subsidies, respectively, which are included in the accompanying consolidated statements of activities in DHS food subsidies and day home fees. The Organization intends to reapply to DHS for continuation of the subsidies when the current contracts expire. At June 30, 2013 and 2012, there was a subsidy receivable of \$12,232 and \$27,571, respectively. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the Organization’s programs and services.

**NOTE 3 – INVESTMENTS**

The following table sets forth the Organization’s major categories of assets measured at fair value on a recurring basis, with fair value determined based on active markets (Level 1), as of June 30:

	<u><b>2013</b></u>	<u><b>2012</b></u>
Corporate debt securities	\$ 12,780	\$ 12,207
Government backed securities	79,013	78,585
Equity funds	<u>813,631</u>	<u>794,554</u>
	<u><u>\$ 905,424</u></u>	<u><u>\$ 885,346</u></u>

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 3 – INVESTMENTS (Continued)**

The following schedule summarizes the investment return for the year ended June 30:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 20,372	\$ 24,283
Realized and unrealized gains (losses), net	<u>34,423</u>	<u>(52,898)</u>
	<u>\$ 54,795</u>	<u>\$ (28,615)</u>

**NOTE 4 – PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets, which range from forty years for buildings to three years for equipment. Expenditures for repairs and maintenance are charged to expense as incurred. During 2012, the Organization made significant renovations to the facility on Chapel Avenue with funding acquired through the line of credit and contributions.

**NOTE 5 – FINANCING ARRANGEMENTS**

In September 2011, the Organization obtained a \$450,000 revolving line-of-credit with a bank. Payments of interest only at the prime rate plus 1.00%, with a minimum rate of 5.00%, were due monthly. Borrowings under this arrangement were used to renovate the Chapel Avenue property. In March 2013, the outstanding principal and interest of this arrangement were paid with the borrowings of the note payable described below.

In 2013, the Organization entered into a note payable with a bank. Payments of interest only at a fixed rate of 2.90% are due monthly beginning in April 2013, with any outstanding principal and interest due on March 21, 2016. The arrangement is collateralized by the endowment investment account and a commercial pledge agreement. Borrowings under this arrangement were \$250,072 at June 30, 2013.

Following is a summary of future principal maturities under the note payable agreement:

<u>Years ending</u> <u>June 30,</u>	
2014	\$ -
2015	-
2016	250,072
2017	-
2018	<u>-</u>
Long-term obligations	<u>\$ 250,072</u>

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 6 – ENDOWMENT FUND**

The Fannie Battle Day Home Endowment Fund, Inc. (“Endowment”) was established effective May 16, 2001. Endowment was established as a separate 501(c)(3) entity to assist management of the Organization in the exercise of its fiduciary duty related to board designated endowment investments. The financial statements of Endowment are consolidated with those of the Organization in the accompanying consolidated financial statements, as the Organization controls Endowment through the appointment of its board of directors. Net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The board of directors has interpreted the UPMIFA as requiring that the Organization classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to any permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

**Endowment Net Asset Composition by Type of Fund as of June 30, 2013:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Board designated endowment funds	\$ <u>715,387</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>715,387</u>

**Changes in Endowment Net Assets for the year ended June 30, 2013:**

Endowment net assets, beginning of year	\$ 685,096	\$ -	\$ -	\$ 685,096
Contributions	100	-	-	100
Withdrawals	(13,319)	-	-	(13,319)
Investment return: Net appreciation (realized and unrealized)	<u>43,510</u>	<u>-</u>	<u>-</u>	<u>43,510</u>
Endowment net assets, end of year	<u>\$ 715,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 715,387</u>



**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 6 – ENDOWMENT FUND (Continued)**

**Endowment Net Asset Composition by Type of Fund as of June 30, 2012:**

	<u><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Permanently Restricted</b></u>	<u><b>Total</b></u>
Board designated endowment funds	\$ 685,096	\$ -	\$ -	\$ 685,096

**Changes in Endowment Net Assets for the year ended June 30, 2012:**

Endowment net assets, beginning of year	\$ 718,817	\$ -	\$ -	\$ 718,817
Contributions	100	-	-	100
Withdrawals	(4,006)	-	-	(4,006)
Investment return: Net appreciation (realized and unrealized)	<u>(29,815)</u>	<u>-</u>	<u>-</u>	<u>(29,815)</u>
Endowment net assets, end of year	<u>\$ 685,096</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 685,096</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the board of directors, the endowment assets are to be invested primarily in equities, fixed income investments and cash securities. However, neither equities by themselves, nor fixed income investments by themselves should exceed 75% of the investment balance.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating, no more often than quarterly, dividend and interest income from the endowment fund.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2013 and 2012**

**NOTE 7 – RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods at June 30:

	<u><b>2013</b></u>	<u><b>2012</b></u>
Operating resources in next fiscal year	\$ 30,000	\$ 24,040
Childhood Obesity Initiative	13,000	-
Scholarships for child care fees	<u>7,990</u>	<u>-</u>
	<u><u>\$ 50,990</u></u>	<u><u>\$ 24,040</u></u>

Board designated net assets are available for the following purpose at June 30:

	<u><b>2013</b></u>	<u><b>2012</b></u>
Board designated endowment fund	<u><u>\$ 715,387</u></u>	<u><u>\$ 685,096</u></u>

**NOTE 8 – CONCENTRATIONS**

Cash and investments include funds deposited in federally insured bank accounts. Balances on deposit may at times exceed federally insured limits.

**NOTE 9 – EMPLOYEE BENEFIT PLAN**

The Organization has a 401(k) profit sharing plan covering all employees who are at least 21 years old and have completed the eligibility requirements. Employees may defer a portion of their compensation into the plan in accordance with the plan document. The Organization's contribution to the plan is determined annually by the board of directors. The Organization did not contribute to the plan during the years ended June 30, 2013 and 2012.

**NOTE 10 – CONTRIBUTED SERVICES**

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the consolidated statements of activities because the criteria for recognition under generally accepted accounting principles has not been satisfied.

## **SUPPLEMENTAL INFORMATION**

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2013**

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 68,953	\$ 3,824	\$ 72,777
Investments	193,861	-	193,861
Accounts receivable	121,710	-	121,710
Prepaid expenses	19,866	-	19,866
Total current assets	<u>404,390</u>	<u>3,824</u>	<u>408,214</u>
Property and equipment:			
Land	178,000	-	178,000
Buildings	1,354,498	-	1,354,498
Equipment	121,954	-	121,954
Playground	120,110	-	120,110
	<u>1,774,562</u>	<u>-</u>	<u>1,774,562</u>
Less: accumulated depreciation	<u>(148,621)</u>	<u>-</u>	<u>(148,621)</u>
Property and equipment, net	<u>1,625,941</u>	<u>-</u>	<u>1,625,941</u>
Investments designated for endowment	<u>-</u>	<u>711,563</u>	<u>711,563</u>
Total assets	<u>\$ 2,030,331</u>	<u>\$ 715,387</u>	<u>\$ 2,745,718</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable	\$ 22,276	-	\$ 22,276
Accrued expenses	5,470	-	5,470
Total current liabilities	<u>27,746</u>	<u>-</u>	<u>27,746</u>
Noncurrent liabilities:			
Note payable	250,072	-	250,072
Total liabilities	<u>277,818</u>	<u>-</u>	<u>277,818</u>
Net assets:			
Board designated	-	715,387	715,387
Other unrestricted	1,701,523	-	1,701,523
Total unrestricted	1,701,523	715,387	2,416,910
Temporarily restricted	50,990	-	50,990
Total net assets	<u>1,752,513</u>	<u>715,387</u>	<u>2,467,900</u>
Total liabilities and net assets	<u>\$ 2,030,331</u>	<u>\$ 715,387</u>	<u>\$ 2,745,718</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2013**

	<b>Organization</b>	<b>Endowment</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
Public support and revenues:				
Public support:				
Contributions	\$ 219,606	\$ 100	\$ (13,319)	\$ 206,387
Membership fund-raising activities	100,940	-	-	100,940
Capital campaign contributions	69,401	-	-	69,401
Total public support	389,947	100	(13,319)	376,728
Revenues:				
Day home fees	377,784	-	-	377,784
Grants	195,290	-	-	195,290
DHS food subsidies	68,293	-	-	68,293
Investment return, net	11,285	43,510	-	54,795
Total revenues	652,652	43,510	-	696,162
Total public support and revenues	1,042,599	43,610	(13,319)	1,072,890
Expenses:				
Contributions to day home	-	13,319	(13,319)	-
Program services	807,387	-	-	807,387
Supporting services	241,531	-	-	241,531
Total expenses	1,048,918	13,319	(13,319)	1,048,918
Change in net assets	\$ (6,319)	\$ 30,291	\$ -	\$ 23,972

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2012**

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 12,347	\$ 7,378	\$ 19,725
Investments	207,628	-	207,628
Accounts receivable	165,307	-	165,307
Contributions receivable	21,536	-	21,536
Prepaid expenses	21,011	-	21,011
Total current assets	<u>427,829</u>	<u>7,378</u>	<u>435,207</u>
Property and equipment:			
Land	178,000	-	178,000
Buildings	1,354,498	-	1,354,498
Equipment	112,322	-	112,322
Playground	115,888	-	115,888
	<u>1,760,708</u>	<u>-</u>	<u>1,760,708</u>
Less: accumulated depreciation	(101,682)	-	(101,682)
Property and equipment, net	<u>1,659,026</u>	<u>-</u>	<u>1,659,026</u>
Investments designated for endowment	<u>-</u>	<u>677,718</u>	<u>677,718</u>
Total assets	<u>\$ 2,086,855</u>	<u>\$ 685,096</u>	<u>\$ 2,771,951</u>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Checks issued in excess of deposits	\$ 19,921	\$ -	\$ 19,921
Accounts payable	1,145	-	1,145
Accrued expenses	6,972	-	6,972
Total current liabilities	<u>28,038</u>	<u>-</u>	<u>28,038</u>
Noncurrent liabilities:			
Line of credit	<u>299,985</u>	<u>-</u>	<u>299,985</u>
Total liabilities	<u>328,023</u>	<u>-</u>	<u>328,023</u>
Net assets:			
Board designated	-	685,096	685,096
Other unrestricted	1,734,792	-	1,734,792
Total unrestricted	<u>1,734,792</u>	<u>685,096</u>	<u>2,419,888</u>
Temporarily restricted	<u>24,040</u>	<u>-</u>	<u>24,040</u>
Total net assets	<u>1,758,832</u>	<u>685,096</u>	<u>2,443,928</u>
Total liabilities and net assets	<u>\$ 2,086,855</u>	<u>\$ 685,096</u>	<u>\$ 2,771,951</u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2012**

	<b>Organization</b>	<b>Endowment</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
Public support and revenues:				
Public support:				
Capital campaign contributions	\$ 198,662	\$ -	\$ -	\$ 198,662
Contributions	200,380	100	(4,006)	196,474
Membership fund-raising activities	105,184	-	-	105,184
Total public support	<u>504,226</u>	<u>100</u>	<u>(4,006)</u>	<u>500,320</u>
Revenues:				
Day home fees	372,053	-	-	372,053
Grants	222,224	-	-	222,224
DHS food subsidies	65,989	-	-	65,989
Investment return, net	<u>1,200</u>	<u>(29,815)</u>	<u>-</u>	<u>(28,615)</u>
Total revenues	<u>661,466</u>	<u>(29,815)</u>	<u>-</u>	<u>631,651</u>
Total public support and revenues	<u>1,165,692</u>	<u>(29,715)</u>	<u>(4,006)</u>	<u>1,131,971</u>
Expenses:				
Contributions to day home	-	4,006	(4,006)	-
Program services	766,542	-	-	766,542
Supporting services	<u>283,948</u>	<u>-</u>	<u>-</u>	<u>283,948</u>
Total expenses	<u>1,050,490</u>	<u>4,006</u>	<u>(4,006)</u>	<u>1,050,490</u>
Change in net assets	<u>\$ 115,202</u>	<u>\$ (33,721)</u>	<u>\$ -</u>	<u>\$ 81,481</u>

See accompanying notes.