

COMMUNITY CHILD CARE SERVICES, INC.
FINANCIAL STATEMENTS
June 30, 2018 and 2017

COMMUNITY CHILD CARE SERVICES, INC.
Years ended June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Community Child Care Services, Inc.

I have audited the accompanying financial statements of Community Child Care Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Child Care Services, Inc. as of June 30, 2018 and 2017, 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.

Sincerely,

John P. Young, P.C.

November 20, 2018

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)
STATEMENT OF FINANCIAL POSITION
June 30, 2018 and 2017

ASSETS		2018	2017
		<u>2018</u>	<u>2017</u>
CURRENT ASSETS			
Cash in Bank	\$	159,051	\$ 82,211
Accounts Receivable fees		1,423	1,499
Government grants receivable		20,257	14,004
Accounts Receivable – Other		251	85
Allowance for Doubtful Accounts		(5,996)	(3,625)
Prepaid Insurance and expenses		<u>3,843</u>	<u>553</u>
Total Current Assets		<u>178,829</u>	<u>94,727</u>
PROPERTY AND EQUIPMENT, NET		<u>708,221</u>	<u>739,288</u>
OTHER ASSETS			
Deferred loan cost, net of accumulated amortization of \$281 and \$361 in 2018 and 2017, respectively		<u>446</u>	<u>727</u>
Total Assets	\$	<u><u>887,496</u></u>	<u><u>\$ 834,742</u></u>
LIABILITIES AND NET ASSETS (DEFICIT)			
CURRENT LIABILITIES			
Accounts Payable	\$	10,689	\$ 9,595
Accrued payroll and payroll taxes		4,907	4,121
Payroll withholdings payable		500	274
Deferred revenue		1,894	4,093
Current portion of long-term debt		<u>14,845</u>	<u>14,193</u>
Total Current liabilities		<u>32,835</u>	<u>32,276</u>
LONG-TERM LIABILITIES			
Note payable to Simmons Bank		<u>5,179</u>	<u>22,509</u>
Total Liabilities		38,014	54,785
NET ASSETS (DEFICIT)			
Net Unrestricted Assets (Deficit)		<u>849,482</u>	<u>779,957</u>
Total Liabilities and Net Assets	\$	<u><u>887,496</u></u>	<u><u>\$ 834,742</u></u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)
STATEMENT OF ACTIVITIES
For the Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS		
Public support and revenues		
Fees - net of discounts and refunds of \$23,194 and \$19,314 for 2018 and 2017, respectively	\$ 440,893	\$ 511,373
Government grants	296,432	212,599
Contributions	41,651	37,929
United Way	30,000	30,000
The Memorial Foundation grant	-	35,000
HEDCO Foundation	-	28,677
City of Hendersonville Grant	16,000	16,000
Recovery of bad debt	590	952
Contributed equipment and supplies	1,043	3,655
Interest Income	<u>116</u>	<u>236</u>
TOTAL UNRESTRICTED PUBLIC SUPPORT AND REVENUES	<u>826,725</u>	<u>876,421</u>
EXPENSES		
Program services	627,228	624,579
Management and general	103,746	104,179
Fundraising	<u>26,226</u>	<u>25,075</u>
TOTAL EXPENSES	<u>757,200</u>	<u>753,833</u>
CHANGE IN NET ASSETS	69,525	122,588
NET ASSETS AT BEGINNING OF YEAR	<u>779,957</u>	<u>657,369</u>
NET ASSETS AT END OF YEAR	<u>\$ 849,482</u>	<u>\$ 779,957</u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)
STATEMENT OF FUNCTIONAL EXPENSES
For the Years ended June 30, 2018 and 2017

	2018				2017			
	Supporting Services				Supporting Services			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 406,122	\$ 75,208	\$ 20,055	\$ 501,385	\$ 402,896	\$ 74,610	\$ 19,896	\$ 497,402
Payroll taxes	31,082	5,756	1,535	38,373	30,802	5,704	1,521	38,027
Payroll processing fees	2,949	462	142	3,553	3,178	498	153	3,829
Food	56,169	-	-	56,169	62,222	-	-	62,222
Advertising	100	-	-	100	-	-	-	-
Bad Debt expense	6,000	-	-	6,000	6,000	-	-	6,000
Automobile Expense	390	-	-	390	-	-	-	-
Bank charges	6,972	20	-	6,992	8,342	20	-	8,362
Contributions	-	-	-	-	100	-	-	100
Depreciation and Amortization	40,275	3,114	2,284	45,673	31,518	3,114	1,541	36,173
Employee Benefits	275	-	-	275	-	-	-	-
Insurance	6,364	2,728	-	9,092	6,012	2,576	-	8,588
Meals & Entertainment	33	-	-	33	-	-	-	-
General supplies	14,326	-	-	14,326	14,162	1,143	-	15,305
Class supplies	6,335	-	-	6,335	6,786	-	-	6,786
Staff training	1,636	-	-	1,636	2,049	-	-	2,049
Housekeeping	8,961	-	-	8,961	8,100	897	-	8,997
Professional fees	-	4,250	-	4,250	-	4,530	-	4,530
Dues and subscriptions	-	255	-	255	-	225	-	225
Interest expense	992	264	66	1,322	1,493	422	168	2,083
Office supplies	-	6,257	-	6,257	-	5,554	-	5,554
Recruiting expense	341	-	-	341	25	-	-	25
Flowers and Gifts	1,851	-	-	1,851	595	-	-	595
Pest control	545	-	-	545	379	41	-	420
Postage	268	-	-	268	136	-	-	136
Repairs and maintenance	11,421	1,124	702	13,247	7,983	765	402	9,150
Sanitation	2,740	322	161	3,223	2,524	308	162	2,994
Security system	872	69	50	991	508	42	21	570
Utilities	18,665	1,953	1,085	21,704	20,588	2,152	1,076	23,816
Loss on sale of equipment	-	-	-	-	6,643	-	-	6,643
Taxes and Licenses	-	740	-	740	-	360	-	360
Telephone	1,544	1,223	146	2,913	1,540	1,217	135	2,892
Total Expenses	\$ 627,228	\$ 103,746	\$ 26,226	\$ 757,200	\$ 624,579	\$ 104,179	\$ 25,075	\$ 753,833

The accompanying notes are integral to these financial statements.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)
STATEMENT OF CASH FLOWS
For the Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ 69,525	\$ 122,588
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	45,673	36,173
(Increase) decrease in:		
Accounts receivable - fees and other	(90)	4,815
Government grants receivable	(3,882)	(1,060)
Prepaid insurance	(3,290)	228
Increase (decrease) in:		
Accounts payable	1,094	2,598
Accrued payroll and payroll taxes	786	(1,885)
Payroll withholding payable	226	(74)
Deferred revenue	(2,199)	4,093
Net cash provided by operating activities	<u>107,843</u>	<u>167,476</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash payments for the purchase of property	<u>(14,325)</u>	<u>(141,850)</u>
Net Cash Used by Investing Activities	<u>(14,325)</u>	<u>(141,850)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable to Simmons/Sun Trust Bank	<u>(16,678)</u>	<u>(15,917)</u>
Net cash used by financing activities	<u>(16,678)</u>	<u>(15,917)</u>
NET INCREASE (DECREASE) IN CASH	76,840	9,709
Cash at the beginning of the year	<u>82,211</u>	<u>72,502</u>
Cash at end of year	<u>\$ 159,051</u>	<u>\$ 82,211</u>
Supplemental cash flow disclosures:		
Cash paid for:		
Interest	<u>\$ 1322</u>	<u>\$ 2,083</u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2018 and 2017

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Community Child Care Services, Inc. (the "Organization") is a nonprofit organization chartered in Tennessee and fully licensed by the Tennessee Department of Human Services. The Organization is administered by a separate Board of Directors. The Organization's mission is to operate a quality child care center for children from low income homes who need care and supervision for part of the day, to facilitate employment of the parents, and to do all things reasonable, incidental, and necessary to accomplish the foregoing, including solicitation of funds or property upon such terms and conditions as to meet, if possible, the expense thereof, but without making a profit there from, and with such care extended to children of all races and religions in a non-discriminatory manner. Contributions and grants are received primarily from donors or government agencies located in the Middle Tennessee region.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The 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 restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations which require the assets to be permanently maintained. Generally, the donors of these assets permit the Organization to use all or part of the income earned and any related investments for general or specific purposes.

The Organization had no temporarily or permanently restricted net assets at June 30, 2018 and 2017.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's 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, cash includes all monies in banks. The Organization has no cash equivalents for the years ended June 30, 2018 and 2017.

COMMUNITY CHILD CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2018 and 2017

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Accounts Receivable – Fees

The Organization records an allowance for doubtful accounts in anticipation of future write-offs. The allowance for doubtful accounts is based on the Organization's historical collection experience and a review of outstanding accounts.

Property and Equipment

The Organization capitalizes property and equipment acquisitions in excess of \$1,300 with an estimated useful life in excess of one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which range from 5 to 40 years.

Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

Public Support and Revenues

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Functional Expenses

Expenses are charged directly to program, management and general and fundraising based on an allocation by management.

COMMUNITY CHILD CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2018 and 2017

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Advertising

The Organization expenses advertising costs as they are incurred. The Organization had no advertising expenses for the year ended June 30, 2017.

Compensated Absences

The Organization allows for paid vacation and sick time. Full-time employees receive five days of paid vacation after twelve months of employment. Full-time employees receive five sick days after their probationary period. Any unused sick time may be paid as a health bonus. Management has elected not to accrue vacation since the amounts do not materially affect the financial statements.

Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2: PROPERTY AND EQUIPMENT

The components of property and equipment as of June 30, 2018 and 2017 are as follows:

- The land and building are pledged as collateral for the note payable to Simmons Bank.
- Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$45,673 and \$36,173, respectively.

COMMUNITY CHILD CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2018 and 2017

NOTE 3: DONATED SERVICES AND ASSETS

The value of donated services and assets included in the financial statements and the corresponding expenditure of asset capitalization for the years ended June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Revenues		
Contributed Services	\$ 1,043	\$ 1,000
Contributed Equipment and Supplies	-	2,655
Total Revenues	<u>\$ 1,043</u>	<u>\$ 3,655</u>
Expenses		
Landhold	\$ -	\$ 3,255
General Supplies	-	400
Services	1,043	-
Total Expenses	<u>\$ 1,043</u>	<u>\$ 3,655</u>

NOTE 4: CONCENTRATIONS

The Organization is economically dependent on grants from the State of Tennessee. The grants from the State of Tennessee Child Care Assistance Program and the State of Tennessee Child Care Food Program accounted for 36% and 25% of the total public support and revenues for the years ended June 30, 2018 and 2017, respectively.

The Organization receives child care fees from parents living in the Middle Tennessee region. The child care fees accounted for 54% and 59% of the total public support and revenues for the years ended June 30, 2018 and 2017, respectively.

The Organization has unsecured accounts receivable due from parents located primarily in the Middle Tennessee region. The gross amounts due on the accounts receivable at June 30, 2018 and 2017 are \$1,423 and \$1,499, respectively.

COMMUNITY CHILD CARE SERVICES, INC.
NOTES TO THE FINANCIAL STATEMENTS
Years ended June 30, 2018 and 2017

NOTE 5: NOTE PAYABLE TO SUNTRUST BANK

The note payable to Sun Trust Bank was refinanced by a note payable to Simmons Bank on April 14, 2016 with an original principal balance of \$55,003. The balance on the note payable on June 30, 2018 and 2017 was \$20,024 and \$36,702, respectively. The note payable agreement provides for monthly payments of \$1,305.68 which includes interest at 4.50%. The maturity date of the note payable is February 14, 2020. The first deed of trust on the real estate is pledged as collateral for the note payable.

Future maturities of the note payable are as follows:

June 30, 2019	14,845
2020	<u>5,179</u>
	\$20,024

NOTE 6: SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to the year ended June 30, 2018. As of November 20, 2018, the date the financial statements were available to be issued, no other events, subsequent to the balance sheet date are considered necessary to be included in the financial statements for the year ended June 30, 2018.