

COMMUNITY CHILD CARE SERVICES, INC.

Audited Financial Statements

Years Ended June 30, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Community Child Care Services, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2013 and 2012, and 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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, 2013 and 2012, 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.



White House, Tennessee

October 28, 2013

COMMUNITY CHILD CARE SERVICES, INC.
Statements of Financial Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash	\$ 27,506	\$ 40,112
Accounts receivable - fees, net of allowance for uncollectible accounts of \$1,472 and \$3,970 in 2013 and 2012, respectively	7,820	5,917
Government grants receivable	18,080	21,830
Prepaid insurance	4,926	9,178
Total current assets	<u>58,332</u>	<u>77,037</u>
Property and equipment, net	<u>670,346</u>	<u>693,306</u>
Other assets		
Deferred loan costs, net of accumulated amortization of \$980 and \$686 in 2013 and 2012, respectively	<u>1,956</u>	<u>2,250</u>
Total assets	<u><u>\$ 730,634</u></u>	<u><u>\$ 772,593</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 8,667	\$ 7,682
Accrued payroll and payroll taxes	14,230	14,099
Payroll withholdings payable	204	484
Current portion of long-term debt	11,266	10,415
Total current liabilities	<u>34,367</u>	<u>32,680</u>
Long-term liabilities		
Note payable to SunTrust Bank	<u>76,469</u>	<u>87,626</u>
Total liabilities	110,836	120,306
Net assets		
Unrestricted net assets	<u>619,798</u>	<u>652,287</u>
Total liabilities and net assets	<u><u>\$ 730,634</u></u>	<u><u>\$ 772,593</u></u>

See accompanying notes to financial statements.

COMMUNITY CHILD CARE SERVICES, INC.
Statements of Activities
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Unrestricted net assets		
Public support and revenues		
Fees - net of discounts and refunds of \$9,641 and \$7,443 in 2013 and 2012, respectively	\$ 316,567	\$ 305,935
Government grants	340,144	403,315
Contributions	23,374	11,889
United Way	25,500	25,000
The Memorial Foundation grant	25,000	25,000
Special event revenue	\$ -	\$ 1,227
Less: costs of direct benefits to donors	<u>-</u>	<u>(48)</u>
Contributed services	2,500	2,000
Contributed equipment and supplies	2,025	1,200
Interest income	<u>154</u>	<u>261</u>
Total unrestricted public support and revenues	<u>735,264</u>	<u>775,779</u>
Expenses		
Program services	636,261	658,761
Management and general	105,435	107,053
Fundraising	<u>26,057</u>	<u>27,052</u>
Total expenses	<u>767,753</u>	<u>792,866</u>
Total decrease in net assets	<u>(32,489)</u>	<u>(17,087)</u>
Net assets at beginning of year	<u>652,287</u>	<u>669,374</u>
Net assets at end of year	<u><u>\$ 619,798</u></u>	<u><u>\$ 652,287</u></u>

See accompanying notes to financial statements.

COMMUNITY CHILD CARE SERVICES, INC.
Statements of Functional Expenses
Years Ended June 30, 2013 and 2012

	2013			2012		
	Supporting Services			Supporting Services		
	Program Services	Management & General	Fundraising	Program Services	Management & General	Fundraising
Salaries and wages	\$407,098	\$63,762	\$19,619	\$421,163	\$65,965	\$20,297
Payroll taxes	32,774	5,133	1,579	34,452	5,395	1,660
Employee benefits	31,655	4,957	1,525	33,846	5,300	1,631
Payroll processing fees	2,643	413	127	2,523	395	121
Food	74,750	-	-	77,434	-	-
Bad Debt Expense	3,377	-	-	4,714	-	-
Bank charges	-	3	-	-	55	-
Depreciation and amortization	21,159	2,489	1,244	21,071	2,479	1,239
Insurance	7,899	3,385	-	8,067	3,457	-
General supplies	8,479	7,518	-	8,694	7,708	-
Class supplies	5,157	-	-	3,470	-	-
Staff training	455	-	-	105	-	-
Housekeeping	8,122	902	-	8,122	902	-
Professional fees	-	6,985	-	-	6,500	-
Advertising	-	104	-	-	60	-
Dues and subscriptions	-	482	-	-	792	-
Interest expense	6,341	746	373	7,030	827	414
Loss on disposal of equipment	-	959	-	-	-	-
Office supplies	-	1,754	-	298	1,410	17
Flowers and gifts	-	-	-	-	25	-
Pest control	284	33	17	258	30	15
Postage	-	104	-	-	185	-
Printing	-	1,092	-	-	1,158	-
Repairs and maintenance	4,548	535	268	6,174	726	363
Sanitation	2,307	271	136	2,207	260	130
Security System	357	42	21	357	42	21
Utilities	17,901	2,106	1,053	17,785	2,092	1,046
Taxes and licenses	-	802	-	-	400	-
Telephone	955	858	95	991	890	98
Total expenses	\$ 636,261	\$ 105,435	\$ 26,057	\$ 658,761	\$ 107,053	\$ 27,052
			\$ 767,753			\$ 792,866

See accompanying notes to financial statements.

COMMUNITY CHILD CARE SERVICES, INC.**Statements of Cash Flows****Years ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Decrease in net assets	\$ (32,489)	\$ (17,087)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	24,892	24,789
Contributions of property and equipment	-	-
Loss on disposal of equipment	959	-
(Increase) decrease in:		
Accounts receivable - fees and other	(1,903)	827
Government grants receivable	3,750	924
Prepaid insurance	4,252	386
Increase (decrease) in:		
Accounts payable	985	463
Accrued payroll and payroll taxes	131	1,076
Payroll withholding payable	(280)	484
Deferred revenue	-	(1,112)
Net cash provided by operating activities	<u>297</u>	<u>10,750</u>
Cash flows from investing activities		
Cash payments for the purchase of property	<u>(2,597)</u>	<u>(4,681)</u>
Net cash used by investing activities	<u>(2,597)</u>	<u>(4,681)</u>
Cash flows from financing activities		
Principal payments on note payable to SunTrust Bank	<u>(10,306)</u>	<u>(9,494)</u>
Net cash used by financing activities	<u>(10,306)</u>	<u>(9,494)</u>
Net decrease in cash	(12,606)	(3,425)
Cash at beginning of year	<u>40,112</u>	<u>43,537</u>
Cash at end of year	<u>\$ 27,506</u>	<u>\$ 40,112</u>
Supplemental cash flow disclosures:		
Cash Paid For:		
Interest	<u>\$ 7,460</u>	<u>\$ 8,271</u>

See accompanying notes to financial statements.

COMMUNITY CHILD CARE SERVICES, INC.

Notes to Financial Statements

Years Ended June 30, 2013 and 2012

Note 1. Nature of Activities and Significant Accounting Policies

A. 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 therefrom, 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.

B. 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.

C. 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, 2013 and 2012.

D. 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.

COMMUNITY CHILD CARE SERVICES, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2013 and 2012

Note 1. Nature of Activities and Significant Accounting Policies - Continued

E. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes all monies in banks. The Organization had no cash equivalents for the years ended June 30, 2013 and 2012.

F. 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.

G. Property and Equipment

The Organization capitalizes property and equipment acquisitions in excess of \$400 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.

H. 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.

I. 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 the 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 to 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.

J. 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 Financial Statements - Continued
Years Ended June 30, 2013 and 2012

Note 1. Nature of Activities and Significant Accounting Policies - Continued

K. Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses were \$104 and \$60 for the years ended June 30, 2013 and 2012, respectively.

L. 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 is paid as a health bonus. Management has elected not to accrue vacation since the amounts do not materially affect the financial statements.

M. 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 Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

O. Fair Values of Financial Instruments

The carrying values of current assets approximate fair values due to short maturities of these instruments.

P. Reclassifications

Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2012 to conform to the 2013 presentation.

Note 2. Property and Equipment

The components of property and equipment as of June 30, 2013 and 2012 are as follows:

	2013	2012
Land	\$ 80,000	\$ 80,000
Building and improvements	773,521	773,521
Equipment	53,073	51,724
Furniture and fixtures	33,719	33,719
Software	1,182	1,182
	<u>941,495</u>	<u>940,146</u>
Less: accumulated depreciation	(271,149)	(246,840)
Total property and equipment, net	<u>\$ 670,346</u>	<u>\$ 693,306</u>

The land and building are pledged as collateral for the note payable to SunTrust Bank.

COMMUNITY CHILD CARE SERVICES, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2013 and 2012

Note 2. Property and Equipment - Continued

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 was \$24,892 and \$24,789, respectively.

Note 3. Donated Services and Assets

The value of donated services and assets included in the financial statements and the corresponding expenditure or asset capitalization for the years ended June 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Revenues		
Contributed services	\$ 2,500	\$ 2,000
Contributed equipment and supplies	2,025	1,200
Totals	<u>\$ 4,525</u>	<u>\$ 3,200</u>
Expenses		
Repairs and maintenance	\$ 575	\$ -
Office supplies	350	-
Class supplies	1,600	250
Professional fees	2,000	2,000
Total expenses	<u>\$ 4,525</u>	<u>\$ 2,250</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 44% and 49% of the total public support and revenues for the years ended June 30, 2013 and 2012, respectively.

The Organization receives child care fees from parents living in the Middle Tennessee region. The child care fees accounted for 43% and 39% of the total public support and revenues for the years ended June 30, 2013 and 2012, 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, 2013 and 2012 are \$9,292 and \$9,887, respectively.

Note 5. Note Payable to SunTrust Bank

The note payable to SunTrust Bank refinanced a note payable to First State Bank on March 1, 2010 with an original principal balance of \$119,088. The balance on the note payable on June 30, 2013 and 2012 was \$87,735 and \$98,041, respectively. The note payable agreement provides for monthly payments of \$1,480 which includes interest at 7.88%. The maturity date of the note payable is March 1, 2020. The first deed of trust on the real estate is pledged as collateral for the note payable.

COMMUNITY CHILD CARE SERVICES, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2013 and 2012

Note 5. Note Payable to SunTrust Bank - Continued

Future maturities of the note payable are as follows:

Years Ended June 30,	Total Payments
2014	\$ 11,266
2015	12,181
2016	13,176
2017	14,253
2018	15,417
2019-2020	21,442
Total	<u>\$ 87,735</u>

Note 6. Related Party Transactions

The Organization uses an insurance agent for its insurance needs. The insurance agent is a member of the Board of Directors for the years ended June 30, 2013 and 2012. Insurance expense for the years ended June 30, 2013 and 2012 is \$49,421 and \$52,301, respectively.

The Organization used a company owned by a member of the Board of Directors for repairs and maintenance and replacement of capital assets for the years ended June 30, 2013 and 2012. The total expenses for these services were \$955 and \$1,665 for the years ended June 30, 2013 and 2012, respectively.

Note 7. Subsequent Events

The Organization has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2013 through October 28, 2013, the date the financial statements were available to be issued.