

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statements of financial position of Community Child Care Services, Inc. (a nonprofit corporation) as of June 30, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



November 16, 2009
White House, Tennessee

COMMUNITY CHILD CARE SERVICES, INC.**Statements of Financial Position****June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets		
Cash	\$ 67,007	\$ 64,657
Accounts receivable - fees, net of allowance for uncollectible accounts of \$6,346 and \$1,154 in 2009 and 2008	11,172	6,992
Government grants receivable	15,695	16,337
Prepaid insurance	7,937	6,312
Total current assets	<u>101,811</u>	<u>94,298</u>
Property and equipment, net	<u>737,294</u>	<u>761,108</u>
Total assets	<u><u>\$ 839,105</u></u>	<u><u>\$ 855,406</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 7,466	\$ 5,898
Accrued expenses	-	2,002
Accrued payroll and payroll taxes	9,002	5,347
Payroll withholdings payable	288	-
Deferred revenue	3,303	4,581
Current portion of long-term debt	4,330	4,008
Total current liabilities	<u>24,389</u>	<u>21,836</u>
Long-term liabilities		
Note payable to First State Bank	<u>116,524</u>	<u>122,111</u>
Total liabilities	<u>140,913</u>	<u>143,947</u>
Net assets		
Unrestricted net assets	<u>698,192</u>	<u>711,459</u>
Total liabilities and net assets	<u><u>\$ 839,105</u></u>	<u><u>\$ 855,406</u></u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.**Statements of Activities****Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Unrestricted net assets		
Public support and revenues		
Fees - net of discounts, refunds and returned checks	\$ 323,488	\$ 329,044
Government grants	287,489	306,984
Contributions	10,843	12,713
United Way	28,500	28,068
The Memorial Foundation grant	25,000	30,000
Contributed services	5,028	4,000
Contributed equipment and supplies	1,276	6,390
Interest income	<u>710</u>	<u>377</u>
 Total unrestricted public support and revenues	 <u>682,334</u>	 <u>717,576</u>
Expenses		
Program services	555,423	547,233
Management and general	116,746	118,895
Fundraising	<u>23,433</u>	<u>23,159</u>
Total expenses	<u>695,601</u>	<u>689,287</u>
 Total increase (decrease) in net assets	 <u>(13,267)</u>	 <u>28,289</u>
 Net assets at beginning of year	 <u>711,459</u>	 <u>683,170</u>
 Net assets at end of year	 <u><u>\$ 698,192</u></u>	 <u><u>\$ 711,459</u></u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.

Statements of Functional Expenses

Years Ended June 30, 2009 and 2008

	2009				2008			
	Supporting Services				Supporting Services			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$354,400	\$70,879	\$17,719	\$ 442,998	\$354,700	\$70,939	\$17,734	\$ 443,373
Payroll taxes	31,962	6,392	1,598	39,952	29,064	5,812	1,453	36,329
Employee benefits	17,220	3,443	860	21,523	13,558	2,711	677	16,946
Payroll processing fees	1,820	363	90	2,273	3,598	719	179	4,496
Food	61,338	-	-	61,338	57,287	-	-	57,287
Bad Debt Expense	12,718	-	-	12,718	12,603	-	-	12,603
Depreciation and amortization	22,202	2,612	1,306	26,120	22,287	2,622	1,311	26,220
Insurance	6,817	2,921	-	9,738	8,655	3,709	-	12,364
General supplies	7,061	6,261	-	13,322	4,939	4,378	-	9,317
Class supplies	2,085	-	-	2,085	2,202	-	-	2,202
Staff training	375	-	-	375	489	-	-	489
Bank charges	-	-	-	-	-	-	-	-
Housekeeping	8,121	902	-	9,023	8,109	901	-	9,010
Accounting	-	-	-	-	-	-	-	-
Professional fees	-	6,328	-	6,328	-	6,250	-	6,250
Advertising	-	159	-	159	-	537	-	537
Contributions	-	-	-	-	300	-	-	300
Dues and subscriptions	-	774	-	774	-	569	-	569
Interest expense	8,347	982	491	9,820	8,519	1,002	501	10,022
Miscellaneous	-	784	70	854	-	7	-	7
Loss (gain) on disposal of equipment	-	-	-	-	-	-	-	-
Office supplies	-	1,307	-	1,307	-	1,800	-	1,800
Flowers and gifts	-	306	-	306	-	25	-	25
Postage	-	182	-	182	-	158	-	158
Repairs and maintenance	-	7,703	-	7,703	-	12,070	-	12,070
Sanitation	1,981	233	117	2,330	1,918	226	113	2,257
Security System	327	39	19	385	387	46	23	456
Seminars and conferences	-	15	-	15	-	5	-	5
Utilities	17,026	2,003	1,001	20,030	16,801	1,976	988	19,765
Taxes and licenses	-	700	-	700	-	800	-	800
Telephone	1,623	1,458	162	3,243	1,817	1,633	181	3,631
Total expenses	<u>\$ 555,423</u>	<u>\$ 116,746</u>	<u>\$ 23,433</u>	<u>\$ 695,601</u>	<u>\$ 547,233</u>	<u>\$ 118,895</u>	<u>\$ 23,159</u>	<u>\$ 689,287</u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.

Statements of Cash Flows

Years ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
(Decrease) increase in net assets	\$ (13,267)	\$ 28,289
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	26,120	26,220
Contributions of property and equipment	(1,276)	(891)
(Increase) decrease in:		
Accounts receivable - fees and other	(4,180)	(3,143)
Government grants receivable	642	(2,602)
Prepaid insurance	(1,625)	(2,881)
Increase (decrease) in:		
Accounts payable	1,568	(1,175)
Accrued expenses	(2,002)	2,002
Accrued payroll and payroll taxes	3,655	2,167
Payroll withholding payable	288	(518)
Deferred revenue	(1,278)	4,581
Net cash provided by operating activities	<u>8,645</u>	<u>52,049</u>
Cash flows from investing activities		
Cash payments for the purchase of property	<u>(1,030)</u>	<u>-</u>
Net cash used by investing activities	<u>(1,030)</u>	<u>-</u>
Cash flows from financing activities		
Principal payments on note payable to First State Bank	<u>(5,265)</u>	<u>(3,567)</u>
Net cash used by financing activities	<u>(5,265)</u>	<u>(3,567)</u>
Net increase in cash	2,350	48,482
Cash at beginning of year	<u>64,657</u>	<u>16,175</u>
Cash at end of year	<u><u>\$ 67,007</u></u>	<u><u>\$ 64,657</u></u>
Supplemental cash flow disclosures:		
Cash Paid For:		
Interest	<u>\$ 9,820</u>	<u>\$ 10,022</u>
Noncash Investing Transactions:		
Total property and equipment placed in service	\$ 2,306	\$ 891
Contributions of property and equipment	<u>(1,276)</u>	<u>(891)</u>
Net cash payments for property and equipment	<u><u>\$ 1,030</u></u>	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.

Notes to Financial Statements

Years Ended June 30, 2009 and 2008

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.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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 had no cash equivalents for the years ended June 30, 2009 and 2008.

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.

COMMUNITY CHILD CARE SERVICES, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2009 and 2008

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

Property and Equipment

The Organization adopted a capitalization policy on June 29, 2009. This policy requires that the Organization capitalize property and equipment acquisitions in excess of \$400 with an estimated useful life in excess of one year. Prior to the adoption of this policy, the Organization generally capitalized items in excess of \$100 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.

Deferred Revenue

Deferred revenue represents child care fees received in advance for the next fiscal year.

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.

Functional Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program, supporting services benefited and fundraising efforts by the Organization.

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.

COMMUNITY CHILD CARE SERVICES, INC.
Notes to Financial Statements - Continued
Years Ended June 30, 2009 and 2008

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

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense was \$159 and \$537 for the years ended June 30, 2009 and 2008, respectively.

Vacation and Sick Time

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 and sick time because the amounts cannot be reasonably estimated and does not materially effect the financial statements.

Reclassifications

Certain reclassifications have been made to the financial statements as of and for the year ended June 30, 2008 to conform to the 2009 presentation.

Note 2. Property and Equipment

The components of property and equipment as of June 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Land	\$ 80,000	\$ 80,000
Building	761,940	761,940
Equipment	53,995	54,587
Furniture and fixtures	29,270	27,834
Software	2,023	2,111
	<u>927,228</u>	<u>926,472</u>
Less: accumulated depreciation	(189,934)	(165,364)
Total property and equipment, net	<u>\$ 737,294</u>	<u>\$ 761,108</u>

Depreciation and amortization expense for the years ended June 30, 2009 and 2008 was \$26,120 and \$26,220, respectively.

Note 3. Concentrations

The Organization is economically dependent on grants from the State of Tennessee. During the years ended June 30, 2009 and 2008, the Organization received 40% of total public support and revenues from the State of Tennessee Child Care Assistance Program and the State of Tennessee Child Care Food Program. The Organization receives child care fees from

COMMUNITY CHILD CARE SERVICES, INC.**Notes to Financial Statements - Continued****Years Ended June 30, 2009 and 2008****Note 3. Concentrations - Continued**

parents living in the Middle Tennessee region. The child care fees accounted for 47% and 46% of the total public support and revenues for the years ended June 30, 2009 and 2008, 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 accounts at June 30, 2009 and 2008 are \$17,518 and \$8,146, respectively.

Note 4. 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, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Revenues		
Contributed services	\$ 5,028	\$ 4,000
Contributed equipment and supplies	<u>1,276</u>	<u>6,390</u>
Totals	<u>\$ 6,304</u>	<u>\$ 10,390</u>
Expenses		
Repairs and maintenance	\$ 2,500	\$ 6,999
Staff training	150	-
Professional fees	<u>2,378</u>	<u>2,500</u>
Total expenses	<u>\$ 5,028</u>	<u>\$ 9,499</u>
Asset		
Equipment	<u>\$ 1,276</u>	<u>\$ 891</u>

Note 5. Note Payable to First State Bank

A construction line of credit was converted to a note payable with First State Bank on January 9, 2006. The original principal amount of the note payable on January 9, 2006 was \$136,770. The balance on the note payable on June 30, 2009 and 2008 was \$120,854 and \$126,119, respectively. The note payable agreement provides for monthly payments of \$1,132 which includes interest at 7.75%. The maturity date of the note payable is January 9, 2011. 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, 2009 and 2008

Note 5. Note Payable to First State Bank - Continued

Future maturities of the note payable are as follows:

Year Ended June 30,	Total Payments
2010	\$ 4,330
2011	116,524
Total	<u>\$ 120,854</u>

Note 6. Related Party Transaction

The Organization uses an insurance agent for its insurance needs. The insurance agent is a member of the Board of Directors as of June 30, 2009. Total amounts paid for insurance premiums for the year ended June 30, 2009 is \$31,261.

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, 2009 through November 16, 2009, the date the financial statements were available to be issued. There were no subsequent events that require recognition or disclosure in the financial statements.