

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

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

June 30, 2010 and 2009

**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 statements of financial position of Fannie Battle Day Home for Children, Inc. and affiliate (a nonprofit organization) as of June 30, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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. We believe that our audits provide a reasonable basis for our 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, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 16 through 19 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 has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Frasier, Dean & Howard, PLLC

November 8, 2010

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2010 and 2009

	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 172,780	\$ 78,949
Investments	1,156,862	1,113,597
Accounts and contributions receivable	63,645	65,142
Prepaid expenses	10,726	10,976
Total current assets	<u>1,404,013</u>	<u>1,268,664</u>
Property and equipment:		
Land	173,464	173,464
Buildings	479,521	479,521
Equipment	131,216	178,351
	784,201	831,336
Less: accumulated depreciation	<u>(397,124)</u>	<u>(427,969)</u>
Property and equipment, net	<u>387,077</u>	<u>403,367</u>
Total assets	<u><u>\$ 1,791,090</u></u>	<u><u>\$ 1,672,031</u></u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 5,581	\$ 5,730
Accrued expenses	35,306	34,317
Total liabilities	<u>40,887</u>	<u>40,047</u>
Net assets:		
Board designated	595,938	523,942
Other unrestricted	1,132,725	1,074,502
Total unrestricted	1,728,663	1,598,444
Temporarily restricted	21,540	33,540
Total net assets	<u>1,750,203</u>	<u>1,631,984</u>
Total liabilities and net assets	<u><u>\$ 1,791,090</u></u>	<u><u>\$ 1,672,031</u></u>

See accompanying notes.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Contributions	\$ 166,384	\$ 21,540	\$ 187,924
Membership fund-raising activities	82,690	-	82,690
Total public support	<u>249,074</u>	<u>21,540</u>	<u>270,614</u>
Revenues:			
Day home fees	349,708	-	349,708
Investment return, net	165,102	-	165,102
Grants	91,500	-	91,500
DHS food subsidies	55,229	-	55,229
Other	2,741	-	2,741
Total revenues	<u>664,280</u>	<u>-</u>	<u>664,280</u>
Net assets released from restrictions	<u>33,540</u>	<u>(33,540)</u>	<u>-</u>
Total public support and revenues	<u>946,894</u>	<u>(12,000)</u>	<u>934,894</u>
Expenses:			
Program services	615,488	-	615,488
Supporting services	201,187	-	201,187
Total expenses	<u>816,675</u>	<u>-</u>	<u>816,675</u>
Change in net assets	130,219	(12,000)	118,219
Net assets - beginning of year	<u>1,598,444</u>	<u>33,540</u>	<u>1,631,984</u>
Net assets - end of year	<u>\$ 1,728,663</u>	<u>\$ 21,540</u>	<u>\$ 1,750,203</u>

See accompanying notes.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Contributions	\$ 156,744	\$ 33,540	\$ 190,284
Membership fund-raising activities	<u>64,118</u>	<u>-</u>	<u>64,118</u>
Total public support	<u>220,862</u>	<u>33,540</u>	<u>254,402</u>
Revenues:			
Day home fees	309,719	-	309,719
Grants	86,992	-	86,992
DHS food subsidies	57,941	-	57,941
Investment return, net	<u>(255,361)</u>	<u>-</u>	<u>(255,361)</u>
Total revenues	<u>199,291</u>	<u>-</u>	<u>199,291</u>
Net assets released from restrictions	<u>33,673</u>	<u>(33,673)</u>	<u>-</u>
Total public support and revenues	<u>453,826</u>	<u>(133)</u>	<u>453,693</u>
Expenses:			
Program services	612,040	-	612,040
Supporting services	<u>228,464</u>	<u>-</u>	<u>228,464</u>
Total expenses	<u>840,504</u>	<u>-</u>	<u>840,504</u>
Change in net assets	(386,678)	(133)	(386,811)
Net assets - beginning of year	<u>1,985,122</u>	<u>33,673</u>	<u>2,018,795</u>
Net assets - end of year	<u><u>\$ 1,598,444</u></u>	<u><u>\$ 33,540</u></u>	<u><u>\$ 1,631,984</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, 2010

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 326,181	\$ 47,840	\$ 89,178	\$ 137,018	\$ 463,199
Children's enrichment	61,259	-	-	-	61,259
Utilities	43,688	-	-	-	43,688
Groceries	43,296	-	-	-	43,296
Payroll taxes	22,269	3,660	6,822	10,482	32,751
Repairs and maintenance	30,457	-	-	-	30,457
Legal and professional fees	-	-	22,708	22,708	22,708
Employee benefits	11,893	1,675	3,183	4,858	16,751
Insurance	11,165	-	1,212	1,212	12,377
Classroom expenses	11,755	-	-	-	11,755
Office supplies and expenses	-	-	11,187	11,187	11,187
Auto expense	10,239	-	-	-	10,239
Teacher and family education	9,918	-	-	-	9,918
Advertising and other fundraising	-	5,234	-	5,234	5,234
Printing	-	-	4,728	4,728	4,728
Security	2,492	-	-	-	2,492
Postage	-	-	2,372	2,372	2,372
Dues and subscriptions	2,109	-	-	-	2,109
Miscellaneous	1,767	-	-	-	1,767
Tuition reimbursement	-	-	1,388	1,388	1,388
	588,488	58,409	142,778	201,187	789,675
Depreciation	27,000	-	-	-	27,000
Total	\$ 615,488	\$ 58,409	\$ 142,778	\$ 201,187	\$ 816,675

See accompanying notes.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2009

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 307,411	\$ 47,840	\$ 88,205	\$ 136,045	\$ 443,456
Children's enrichment	61,997	-	-	-	61,997
Groceries	50,626	-	-	-	50,626
Repairs and maintenance	46,013	-	-	-	46,013
Payroll taxes	28,064	4,474	8,135	12,609	40,673
Utilities	21,760	3,660	6,748	10,408	32,168
Legal and professional fees	31,191	-	-	-	31,191
913 Project expenses	-	-	24,243	24,243	24,243
Employee benefits	-	-	19,199	19,199	19,199
Office supplies and expenses	11,381	-	1,728	1,728	13,109
Insurance	-	-	10,027	10,027	10,027
Classroom expenses	8,157	-	-	-	8,157
Advertising and other fundraising	8,003	-	-	-	8,003
Teacher and family education	-	6,228	-	6,228	6,228
Auto expense	5,841	-	-	-	5,841
Tuition reimbursement	-	-	3,170	3,170	3,170
Printing	2,918	-	-	-	2,918
Security	-	-	2,681	2,681	2,681
Postage	-	-	2,126	2,126	2,126
Miscellaneous	1,553	-	-	-	1,553
Dues and subscriptions	125	-	-	-	125
	<u>585,040</u>	<u>62,202</u>	<u>166,262</u>	<u>228,464</u>	<u>813,504</u>
Depreciation	27,000	-	-	-	27,000
Total	<u>\$ 612,040</u>	<u>\$ 62,202</u>	<u>\$ 166,262</u>	<u>\$ 228,464</u>	<u>\$ 840,504</u>

See accompanying notes.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 118,219	\$ (386,811)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contribution of investments	(2,683)	(1,291)
Depreciation	27,000	27,000
Realized and unrealized (gain) on investments, net	(127,357)	284,334
Loss on disposal of asset	397	-
Changes in operating assets and liabilities:		
Accounts and contributions receivable	1,497	22,645
Prepaid expenses	250	(901)
Accounts payable	(149)	(1,721)
Accrued expenses	989	3,459
Total adjustments	<u>(100,056)</u>	<u>333,525</u>
Net cash provided by (used in) operating activities	<u>18,163</u>	<u>(53,286)</u>
Cash flows from investing activities:		
Proceeds from sale of investments	122,215	108,302
Purchase of investments	(35,440)	(73,842)
Purchase of property and equipment	<u>(11,107)</u>	<u>(10,616)</u>
Net cash provided by investing activities	<u>75,668</u>	<u>23,844</u>
Net increase (decrease) in cash and cash equivalents	93,831	(29,442)
Cash and cash equivalents - beginning of year	<u>78,949</u>	<u>108,391</u>
Cash and cash equivalents - end of year	<u>\$ 172,780</u>	<u>\$ 78,949</u>
Supplemental disclosure:		
Contributed investments	<u>\$ 2,683</u>	<u>\$ 1,291</u>

See accompanying notes.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010 and 2009

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.

Accounting Standards Codification

The Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC had no effect on the Organization's financial condition or results from operations.

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.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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, 2010 and 2009.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

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.

On January 1, 2009, the Organization adopted FASB ASC guidance concerning the accounting for income taxes recognized in an entity's financial statements. This interpretation 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, 2010. 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, 2008 through June 30, 2010. Adoption of this pronouncement had no impact on the Organization's financial position or results of operations.

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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds (Continued)

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 not previously required.

Subsequent Events

The Organization evaluated subsequent events through November 8, 2010, 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 – CONCENTRATIONS

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

NOTE 3 – RESTRICTIONS ON NET ASSETS

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

	<u>2010</u>	<u>2009</u>
Operating resources in next fiscal year	\$ <u>21,540</u>	\$ <u>33,540</u>

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

	<u>2010</u>	<u>2009</u>
Board designated endowment fund	\$ <u>595,938</u>	\$ <u>523,942</u>

NOTE 4 – 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, 2010 and 2009, the Organization received \$315,097 and \$273,222 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, 2010 and 2009, there was a subsidy receivable of \$27,872 and \$26,125, respectively.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 5 – INVESTMENTS

Investments are stated at fair value, with fair value determined based on active markets (Level 1), and consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Corporate debt securities	\$ 31,587	\$ 22,896
Government backed securities	71,610	65,178
Equity funds	1,025,647	869,768
Certificates of deposit	<u>28,018</u>	<u>155,755</u>
	<u>\$ 1,156,862</u>	<u>\$ 1,113,597</u>

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

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 37,745	\$ 28,973
Realized and unrealized gains (losses)	<u>127,357</u>	<u>(284,334)</u>
	<u>\$ 165,102</u>	<u>\$ (255,361)</u>

NOTE 6 – 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.

NOTE 7 – 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.

NOTE 8 – 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 retirement plan expense for the years ended June 30, 2010 and 2009 was \$0 and \$12,000, respectively.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 9 – 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. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions.

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. 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 the 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, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ 595,938	\$ -	\$ -	\$ 595,938

Changes in Endowment Net Assets for the year ended June 30, 2010:

Endowment net assets, beginning of year	\$ 523,942	\$ -	\$ -	\$ 523,942
Investment return: Net appreciation (realized and unrealized)	<u>71,996</u>	<u>-</u>	<u>-</u>	<u>71,996</u>
Endowment net assets, end of year	\$ 595,938	\$ -	\$ -	\$ 595,938

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
June 30, 2010 and 2009

NOTE 9 – ENDOWMENT FUND (Continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ 523,942	\$ -	\$ -	\$ 523,942

Changes in Endowment Net Assets for the year ended June 30, 2009:

Endowment net assets, beginning of year	\$ 681,494	\$ -	\$ -	\$ 681,494
Investment return:				
Net depreciation (realized and unrealized)	(157,552)	-	-	(157,552)
Endowment net assets, end of year	\$ 523,942	\$ -	\$ -	\$ 523,942

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.

SUPPLEMENTAL INFORMATION

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

June 30, 2010

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 170,746	\$ 2,034	\$ 172,780
Investments	562,958	593,904	1,156,862
Accounts and contributions receivable	63,645	-	63,645
Prepaid expenses	10,726	-	10,726
	<u>808,075</u>	<u>595,938</u>	<u>1,404,013</u>
Total current assets			
Property and equipment:			
Land	173,464	-	173,464
Buildings	479,521	-	479,521
Equipment	131,216	-	131,216
	<u>784,201</u>	<u>-</u>	<u>784,201</u>
Less: accumulated depreciation	(397,124)	-	(397,124)
Property and equipment, net	<u>387,077</u>	<u>-</u>	<u>387,077</u>
Total assets	<u>\$ 1,195,152</u>	<u>\$ 595,938</u>	<u>\$ 1,791,090</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$ 5,581	\$ -	\$ 5,581
Accrued expenses	35,306	-	35,306
Total liabilities	<u>40,887</u>	<u>-</u>	<u>40,887</u>
Net assets:			
Board designated	-	595,938	595,938
Other unrestricted	1,132,725	-	1,132,725
Total unrestricted	1,132,725	595,938	1,728,663
Temporarily restricted	21,540	-	21,540
Total net assets	<u>1,154,265</u>	<u>595,938</u>	<u>1,750,203</u>
Total liabilities and net assets	<u>\$ 1,195,152</u>	<u>\$ 595,938</u>	<u>\$ 1,791,090</u>

See accompanying notes.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2010

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public support and revenues:				
Public support:				
Contributions	\$ 187,769	\$ 155	\$ -	\$ 187,924
Membership fund-raising activities	82,690	-	-	82,690
Total public support	<u>270,459</u>	<u>155</u>	<u>-</u>	<u>270,614</u>
Revenues:				
Day home fees	349,708	-	-	349,708
Investment return, net	81,840	83,262	-	165,102
Grants	91,500	-	-	91,500
DHS food subsidies	55,229	-	-	55,229
Other	14,162	-	(11,421)	2,741
Total revenues	<u>592,439</u>	<u>83,262</u>	<u>(11,421)</u>	<u>664,280</u>
Total public support and revenues	<u>862,898</u>	<u>83,417</u>	<u>(11,421)</u>	<u>934,894</u>
Expenses:				
Contributions to Day Home	-	11,421	(11,421)	-
Program services	615,488	-	-	615,488
Supporting services	201,187	-	-	201,187
Total expenses	<u>816,675</u>	<u>11,421</u>	<u>(11,421)</u>	<u>816,675</u>
Change in net assets	<u>\$ 46,223</u>	<u>\$ 71,996</u>	<u>\$ -</u>	<u>\$ 118,219</u>

See accompanying notes.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
June 30, 2009

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 78,542	\$ 407	\$ 78,949
Investments	590,062	523,535	1,113,597
Accounts and contributions receivable	65,142	-	65,142
Prepaid expenses	10,976	-	10,976
	<u>744,722</u>	<u>523,942</u>	<u>1,268,664</u>
Total current assets			
Property and equipment:			
Land	173,464	-	173,464
Buildings	479,521	-	479,521
Equipment	178,351	-	178,351
	<u>831,336</u>	<u>-</u>	<u>831,336</u>
Less: accumulated depreciation	(427,969)	-	(427,969)
Property and equipment, net	<u>403,367</u>	<u>-</u>	<u>403,367</u>
Total assets	<u>\$ 1,148,089</u>	<u>\$ 523,942</u>	<u>\$ 1,672,031</u>
Liabilities and Net Assets			
Liabilities:			
Accounts payable	\$ 5,730	\$ -	\$ 5,730
Accrued expenses	34,317	-	34,317
	<u>40,047</u>	<u>-</u>	<u>40,047</u>
Total liabilities			
Net assets:			
Board designated	-	523,942	523,942
Other unrestricted	1,074,502	-	1,074,502
	<u>1,074,502</u>	<u>523,942</u>	<u>1,598,444</u>
Total unrestricted			
Temporarily restricted	33,540	-	33,540
Total net assets	<u>1,108,042</u>	<u>523,942</u>	<u>1,631,984</u>
Total liabilities and net assets	<u>\$ 1,148,089</u>	<u>\$ 523,942</u>	<u>\$ 1,672,031</u>

See accompanying notes.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
For the year ended June 30, 2009

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public support and revenues:				
Public support:				
Contributions	\$ 190,284	\$ -	\$ -	\$ 190,284
Membership fund-raising activities	64,118	-	-	64,118
Total public support	<u>254,402</u>	<u>-</u>	<u>-</u>	<u>254,402</u>
Revenues:				
Day home fees	309,719	-	-	309,719
Grants	86,992	-	-	86,992
DHS food subsidies	57,941	-	-	57,941
Investment return, net	(109,274)	(146,087)	-	(255,361)
Other	11,465	-	(11,465)	-
Total revenues	<u>356,843</u>	<u>(146,087)</u>	<u>(11,465)</u>	<u>199,291</u>
Total public support and revenues	<u>611,245</u>	<u>(146,087)</u>	<u>(11,465)</u>	<u>453,693</u>
Expenses:				
Contributions to Day Home	-	11,465	(11,465)	-
Program services	612,040	-	-	612,040
Supporting services	228,464	-	-	228,464
Total expenses	<u>840,504</u>	<u>11,465</u>	<u>(11,465)</u>	<u>840,504</u>
Change in net assets	<u>\$ (229,259)</u>	<u>\$ (157,552)</u>	<u>\$ -</u>	<u>\$ (386,811)</u>

See accompanying notes.