

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

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

**June 30, 2011 and 2010**

**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, 2011 and 2010, 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, 2011 and 2010, 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 conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 17 through 20 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 financial statements as a whole.

*Fraser, Dean & Howard, PLLC*

December 8, 2011

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2011 and 2010**

	<b>Assets</b>	<b>2011</b>	<b>2010</b>
Current assets:			
Cash and cash equivalents		\$ 247,409	\$ 169,510
Investments		279,015	562,958
Accounts receivable		38,197	45,375
Contributions receivable		98,789	21,540
Prepaid expenses		12,956	10,726
Total current assets		<u>676,366</u>	<u>810,109</u>
Property and equipment:			
Construction in progress		72,007	-
Land		178,000	173,464
Buildings		725,104	479,521
Equipment		64,632	131,216
		<u>1,039,743</u>	<u>784,201</u>
Less: accumulated depreciation		<u>(61,302)</u>	<u>(397,124)</u>
Property and equipment, net		<u>978,441</u>	<u>387,077</u>
Investments designated for endowment		<u>717,033</u>	<u>593,904</u>
Total assets		<u><u>\$ 2,371,840</u></u>	<u><u>\$ 1,791,090</u></u>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable		\$ 5,900	\$ 5,581
Accrued expenses		3,493	35,306
Total liabilities		<u>9,393</u>	<u>40,887</u>
Net assets:			
Board designated		718,817	595,938
Other unrestricted		1,544,841	1,132,725
Total unrestricted		<u>2,263,658</u>	<u>1,728,663</u>
Temporarily restricted		<u>98,789</u>	<u>21,540</u>
Total net assets		<u>2,362,447</u>	<u>1,750,203</u>
Total liabilities and net assets		<u><u>\$ 2,371,840</u></u>	<u><u>\$ 1,791,090</u></u>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenues:			
Public support:			
Capital campaign contributions	\$ 312,077	\$ -	\$ 312,077
Contributions	151,265	98,789	250,054
Membership fund-raising activities	86,830	-	86,830
	<u>550,172</u>	<u>98,789</u>	<u>648,961</u>
Total public support			
Revenues:			
Day home fees	319,801	-	319,801
Investment return, net	232,245	-	232,245
Gain on sale of assets	150,193	-	150,193
Grants	77,395	-	77,395
DHS food subsidies	54,878	-	54,878
	<u>834,512</u>	<u>-</u>	<u>834,512</u>
Total revenues			
Net assets released from restrictions	<u>21,540</u>	<u>(21,540)</u>	<u>-</u>
Total public support and revenues	<u>1,406,224</u>	<u>77,249</u>	<u>1,483,473</u>
Expenses:			
Program services	636,717	-	636,717
Supporting services	234,512	-	234,512
	<u>871,229</u>	<u>-</u>	<u>871,229</u>
Total expenses			
Change in net assets	534,995	77,249	612,244
Net assets - beginning of year	<u>1,728,663</u>	<u>21,540</u>	<u>1,750,203</u>
Net assets - end of year	<u>\$ 2,263,658</u>	<u>\$ 98,789</u>	<u>\$ 2,362,447</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><b>Unrestricted</b></u>	<u><b>Temporarily Restricted</b></u>	<u><b>Total</b></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><u>\$ 1,728,663</u></u>	<u><u>\$ 21,540</u></u>	<u><u>\$ 1,750,203</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, 2011**

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 373,723	\$ 66,732	\$ 96,433	\$ 163,165	\$ 536,888
Groceries	44,603	-	-	-	44,603
Utilities	42,967	-	-	-	42,967
Payroll taxes	23,981	5,105	7,377	12,482	36,463
Children's enrichment	29,153	-	-	-	29,153
Legal and professional fees	-	-	24,051	24,051	24,051
Repairs and maintenance	23,681	-	-	-	23,681
Employee benefits	15,193	2,605	3,907	6,512	21,705
Insurance	20,239	-	1,212	1,212	21,451
Rent	18,000	-	-	-	18,000
Office supplies and expenses	-	-	10,070	10,070	10,070
Advertising and other fundraising	-	10,059	-	10,059	10,059
Teacher and family education	8,578	-	-	-	8,578
Auto expense	7,174	-	-	-	7,174
Classroom expenses	5,851	-	-	-	5,851
Printing	-	-	3,996	3,996	3,996
Miscellaneous	3,505	-	-	-	3,505
Security	2,686	-	-	-	2,686
Postage	-	-	2,276	2,276	2,276
Dues and subscriptions	1,075	-	-	-	1,075
Tuition reimbursement	-	-	689	689	689
	<u>620,409</u>	<u>84,501</u>	<u>150,011</u>	<u>234,512</u>	<u>854,921</u>
Depreciation	<u>16,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,308</u>
Total	<u>\$ 636,717</u>	<u>\$ 84,501</u>	<u>\$ 150,011</u>	<u>\$ 234,512</u>	<u>\$ 871,229</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	<u>\$ 615,488</u>	<u>\$ 58,409</u>	<u>\$ 142,778</u>	<u>\$ 201,187</u>	<u>\$ 816,675</u>

See accompanying notes.



**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For the years ended June 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Change in net assets	\$ 612,244	\$ 118,219
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions restricted for long-term purposes	(312,077)	-
Contribution of investments	(100)	(2,683)
Depreciation	16,308	27,000
Realized and unrealized gain on investments, net	(192,295)	(127,357)
(Gain) / loss on disposal of assets	(150,193)	397
Changes in operating assets and liabilities:		
Accounts receivable	7,178	(1,773)
Contributions receivable	(18,400)	-
Prepaid expenses	(2,230)	250
Accounts payable	319	(149)
Accrued expenses	(31,813)	989
Total adjustments	(683,303)	(103,326)
Net cash (used in) provided by operating activities	(71,059)	14,893
Cash flows from investing activities:		
Proceeds from sale of investments	503,692	122,215
Purchase of investments	(150,483)	(35,440)
Proceeds from sale of property and equipment	529,075	-
Purchase of property and equipment	(986,554)	(11,107)
Net cash (used in) provided by investing activities	(104,270)	75,668
Cash flows from financing activities:		
Contributions restricted for long-term purposes	253,228	-
Net cash provided by financing activities	253,228	-
Net increase in cash and cash equivalents	77,899	90,561
Cash and cash equivalents - beginning of year	169,510	78,949
Cash and cash equivalents - end of year	\$ 247,409	\$ 169,510
Supplemental disclosure:		
Contributed investments	\$ 100	\$ 2,683

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2011 and 2010**

**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, 2011 and 2010**

**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.

**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, 2011 and 2010.

**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.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

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

**Income Tax Status (Continued)**

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, 2011 and 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, 2011.

**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 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 and the reported amounts of revenues and expenses during the reporting period. 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 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.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

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

**Reclassifications**

Certain reclassifications have been made to 2010 balances to conform with 2011 presentation.

**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>2011</u>	<u>2010</u>
Operating resources in next fiscal year	\$ 39,940	\$ 21,540
Capital campaign	<u>58,849</u>	<u>-</u>
	<u>\$ 98,789</u>	<u>\$ 21,540</u>

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

	<u>2011</u>	<u>2010</u>
Board designated endowment fund	<u>\$ 718,817</u>	<u>\$ 595,938</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, 2011 and 2010, the Organization received \$258,981 and \$315,097 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, 2011 and 2010, there was a subsidy receivable of \$22,305 and \$27,872, 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.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 5 – 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>2011</u>	<u>2010</u>
Corporate debt securities	\$ 12,317	\$ 31,587
Government backed securities	74,667	71,610
Equity funds	909,064	1,025,647
Certificates of deposit	<u>-</u>	<u>28,018</u>
	<u>\$ 996,048</u>	<u>\$ 1,156,862</u>

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

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 39,950	\$ 37,745
Realized and unrealized gains (losses)	<u>192,295</u>	<u>127,357</u>
	<u>\$ 232,245</u>	<u>\$ 165,102</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. During 2011, the Organization sold its property on Shelby Avenue and acquired a facility on Chapel Avenue.

**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, 2011 and 2010 was \$0.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**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. 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, 2011:

	<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>718,817</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>718,817</u>

Changes in Endowment Net Assets for the year ended June 30, 2011:

Endowment net assets, beginning of year	\$ 595,938	\$ -	\$ -	\$ 595,938
Contributions	100	-	-	100
Withdrawals	(12,743)	-	-	(12,743)
Investment return: Net appreciation (realized and unrealized)	<u>135,522</u>	<u>-</u>	<u>-</u>	<u>135,522</u>
Endowment net assets, end of year	<u>\$ 718,817</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 718,817</u>

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**June 30, 2011 and 2010**

**NOTE 9 – ENDOWMENT FUND (Continued)**

Endowment Net Asset Composition by Type of Fund as of June 30, 2010:

	<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	\$ 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
Contributions	155	-	-	155
Withdrawals	(11,421)	-	-	(11,421)
Investment return: Net appreciation (realized and unrealized)	<u>83,262</u>	<u>-</u>	<u>-</u>	<u>83,262</u>
Endowment net assets, end of year	<u>\$ 595,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 595,938</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, 2011 and 2010**

**NOTE 10 – RELATED PARTY TRANSACTIONS**

During 2011 and 2010, the Organization purchased insurance and legal services from companies affiliated with a member of the board of directors. Additionally, during 2011, real estate services were also acquired from a company affiliated with a member of the board of directors. Total amounts paid to these related parties totaled approximately \$12,800 and \$500 for the years ended June 30, 2011 and 2010 respectively.

**NOTE 11 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through December 8, 2011, when these financial statements were available to be issued. Other than as discussed below, 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.

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%, will be due monthly. Amounts outstanding and interest thereon are due on September 8, 2013. The arrangement is collateralized by the Endowment investment account and a commercial pledge agreement. Such borrowings have been used to renovate the property acquired by the Organization during fiscal year ending June 30, 2011.

## **SUPPLEMENTAL INFORMATION**

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**June 30, 2011**

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 245,625	\$ 1,784	\$ 247,409
Investments	279,015	-	279,015
Accounts receivable	38,197	-	38,197
Contributions receivable	98,789	-	98,789
Prepaid expenses	12,956	-	12,956
	<hr/>	<hr/>	<hr/>
Total current assets	674,582	1,784	676,366
	<hr/>	<hr/>	<hr/>
Property and equipment:			
Construction in progress	72,007	-	72,007
Land	178,000	-	178,000
Buildings	725,104	-	725,104
Equipment	64,632	-	64,632
	<hr/>	<hr/>	<hr/>
	1,039,743	-	1,039,743
Less: accumulated depreciation	(61,302)	-	(61,302)
	<hr/>	<hr/>	<hr/>
Property and equipment, net	978,441	-	978,441
	<hr/>	<hr/>	<hr/>
Investments designated for endowment	-	717,033	717,033
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,653,023</u>	<u>\$ 718,817</u>	<u>\$ 2,371,840</u>
	<hr/>	<hr/>	<hr/>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable	\$ 5,900	\$ -	\$ 5,900
Accrued expenses	3,493	-	3,493
	<hr/>	<hr/>	<hr/>
Total liabilities	9,393	-	9,393
	<hr/>	<hr/>	<hr/>
Net assets:			
Board designated	-	718,817	718,817
Other unrestricted	1,544,841	-	1,544,841
	<hr/>	<hr/>	<hr/>
Total unrestricted	1,544,841	718,817	2,263,658
	<hr/>	<hr/>	<hr/>
Temporarily restricted	98,789	-	98,789
	<hr/>	<hr/>	<hr/>
Total net assets	1,643,630	718,817	2,362,447
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,653,023</u>	<u>\$ 718,817</u>	<u>\$ 2,371,840</u>
	<hr/>	<hr/>	<hr/>

See accompanying notes.

**FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**For the year ended June 30, 2011**

	<b>Organization</b>	<b>Endowment</b>	<b>Consolidating Entries</b>	<b>Consolidated</b>
Public support and revenues:				
Public support:				
Capital campaign contributions	\$ 312,077	\$ -	\$ -	\$ 312,077
Contributions	262,697	100	(12,743)	250,054
Membership fund-raising activities	86,830	-	-	86,830
	<u>661,604</u>	<u>100</u>	<u>(12,743)</u>	<u>648,961</u>
Total public support				
Revenues:				
Day home fees	319,801	-	-	319,801
Investment return, net	96,723	135,522	-	232,245
Gain on sale of assets	150,193	-	-	150,193
Grants	77,395	-	-	77,395
DHS food subsidies	54,878	-	-	54,878
	<u>698,990</u>	<u>135,522</u>	<u>-</u>	<u>834,512</u>
Total revenues				
Total public support and revenues	<u>1,360,594</u>	<u>135,622</u>	<u>(12,743)</u>	<u>1,483,473</u>
Expenses:				
Contributions to Day Home	-	12,743	(12,743)	-
Program services	636,717	-	-	636,717
Supporting services	234,512	-	-	234,512
	<u>871,229</u>	<u>12,743</u>	<u>(12,743)</u>	<u>871,229</u>
Total expenses				
Change in net assets	<u>\$ 489,365</u>	<u>\$ 122,879</u>	<u>\$ -</u>	<u>\$ 612,244</u>

See accompanying notes.

**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>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 167,476	\$ 2,034	\$ 169,510
Investments	562,958	-	562,958
Accounts receivable	45,375	-	45,375
Contributions receivable	21,540	-	21,540
Prepaid expenses	10,726	-	10,726
	<u>808,075</u>	<u>2,034</u>	<u>810,109</u>
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)
	<u>387,077</u>	<u>-</u>	<u>387,077</u>
Investments designated for endowment	<u>-</u>	<u>593,904</u>	<u>593,904</u>
Total assets	<u>\$ 1,195,152</u>	<u>\$ 595,938</u>	<u>\$ 1,791,090</u>
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable	\$ 5,581	\$ -	\$ 5,581
Accrued expenses	35,306	-	35,306
	<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
	<u>1,132,725</u>	<u>595,938</u>	<u>1,728,663</u>
Temporarily restricted	<u>21,540</u>	<u>-</u>	<u>21,540</u>
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
	<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
	<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
	<u>816,675</u>	<u>11,421</u>	<u>(11,421)</u>	<u>816,675</u>
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.