

COMMUNITY CHILD CARE SERVICES, INC.  
FINANCIAL STATEMENTS  
June 30, 2017 and 2016

COMMUNITY CHILD CARE SERVICES, INC.  
Years ended June 30, 2017 and 2016

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## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Community Child Care Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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

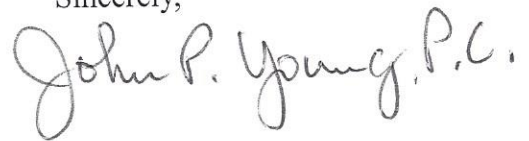
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Child Care Services, Inc. as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sincerely,

A handwritten signature in cursive script that reads "John P. Young, P.C.".

November 6, 2017

COMMUNITY CHILD CARE SERVICES, INC.  
(A Nonprofit Organization)  
STATEMENT OF FINANCIAL POSITION  
June 30, 2017 and 2016

ASSETS		2017	2016
		<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash in Bank	\$	82,211	\$ 72,502
Accounts Receivable fees		1,499	3,498
Government grants receivable		14,004	12,944
Accounts Receivable – Other		85	-
Allowance for Doubtful Accounts		(3,625)	(724)
Prepaid Insurance and expenses		553	781
Total Current Assets		<u>94,727</u>	<u>89,001</u>
PROPERTY AND EQUIPMENT, NET		<u>739,288</u>	<u>633,330</u>
OTHER ASSETS			
Deferred loan cost, net of accumulated amortization of \$281 and \$361 in 2017 and 2016, respectively		727	1,008
Total Assets	\$	<u><u>834,742</u></u>	<u><u>\$ 723,339</u></u>
LIABILITIES AND NET ASSETS (DEFICIT)			
CURRENT LIABILITIES			
Accounts Payable	\$	9,595	\$ 6,997
Accrued payroll and payroll taxes		4,121	6,006
Payroll withholdings payable		274	348
Deferred revenue		4,093	-
Current portion of long-term debt		14,193	13,570
Total Current liabilities		<u>32,276</u>	<u>26,921</u>
LONG-TERM LIABILITIES			
Note payable to Simmons Bank		22,509	39,049
Total Liabilities		<u>54,785</u>	<u>65,970</u>
NET ASSETS (DEFICIT)			
Net Unrestricted Assets (Deficit)		779,957	657,369
Total Liabilities and Net Assets	\$	<u><u>834,742</u></u>	<u><u>\$ 723,339</u></u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.  
(A Nonprofit Organization)  
STATEMENT OF ACTIVITIES  
For the Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
UNRESTRICTED NET ASSETS		
Public support and revenues		
Fees - net of discounts and refunds of \$19,314 and \$12,785 for 2017 and 2016, respectively	\$ 511,373	\$ 432,751
Government grants	212,599	205,908
Contributions	37,929	23,840
United Way	30,000	30,000
The Memorial Foundation grant	35,000	-
HEDCO Foundation	28,677	-
City of Hendersonville Grant	16,000	-
Recovery of bad debt	952	1,000
Contributed equipment and supplies	3,655	139
Interest Income	236	47
TOTAL UNRESTRICTED PUBLIC SUPPORT AND REVENUES	<u>876,421</u>	<u>693,685</u>
EXPENSES		
Program services	624,579	520,643
Management and general	104,179	104,674
Fundraising	25,075	21,652
TOTAL EXPENSES	<u>753,833</u>	<u>646,969</u>
CHANGE IN NET ASSETS	122,588	46,716
NET ASSETS AT BEGINNING OF YEAR	<u>657,369</u>	<u>610,653</u>
NET ASSETS AT END OF YEAR	<u>\$ 779,957</u>	<u>\$ 657,369</u>

The accompanying notes are an integral part of these statements.



COMMUNITY CHILD CARE SERVICES, INC.  
(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES  
For the Years ended June 30, 2017 and 2016

	2017				2016			
	Supporting Services		Supporting Services		Supporting Services		Supporting Services	
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and wages	\$ 402,896	\$ 74,610	\$ 19,896	\$ 497,402	\$ 336,599	\$ 64,887	\$ 16,729	\$ 418,215
Payroll taxes	30,802	5,704	1,521	38,027	26,484	4,297	1,283	32,063
Payroll processing fees	3,178	498	153	3,829	2,818	441	136	3,395
Food	62,222	-	-	62,222	47,851	-	-	47,851
Bad Debt expense	6,000	-	-	6,000	10,358	-	-	10,358
Bank charges	8,342	20	-	8,362	2,490	20	-	2,510
Contributions	100	-	-	100	-	-	-	-
Depreciation and Amortization	31,518	3,114	1,541	36,173	26,491	3,114	1,541	31,146
Insurance	6,012	2,576	-	8,588	6,841	2,932	-	9,773
General supplies	14,162	1,143	-	15,305	10,289	1,143	-	11,432
Class supplies	6,786	-	-	6,786	6,972	-	-	6,972
Staff training	2,049	-	-	2,049	573	-	-	573
Housekeeping	8,100	897	-	8,997	8,076	897	-	8,973
Professional fees	-	4,530	-	4,530	-	17,786	-	17,786
Dues and subscriptions	-	225	-	225	-	160	-	160
Interest expense	1,493	422	168	2,083	3,626	422	168	4,216
Loan Origination Costs	-	-	-	-	-	1,148	-	1,148
Minor equipment purchases	-	-	-	-	710	-	-	710
Office supplies	-	5,554	-	5,554	-	2,422	-	2,422
Recruiting expense	25	-	-	25	191	-	-	191
Flowers and Gifts	595	-	-	595	50	-	-	50
Pest control	379	41	-	420	369	41	-	410
Postage	136	-	-	136	196	-	-	196
Repairs and maintenance	7,983	765	402	9,150	6,881	765	402	8,048
Repairs - capital improvements	-	-	-	-	-	-	-	-
Sanitation	2,524	308	162	2,994	2,775	308	162	3,245
Security system	508	42	21	570	358	42	21	420
Utilities	20,588	2,152	1,076	23,816	18,294	2,152	1,076	21,522
Loss on sale of equipment	6,643	-	-	6,643	-	-	-	-
Taxes and Licenses	-	360	-	360	-	480	-	480
Telephone	1,540	1,217	135	2,892	1,352	1,217	135	2,704
Total Expenses	\$ 624,579	\$ 104,179	\$ 25,075	\$ 753,833	\$ 520,643	\$ 104,674	\$ 21,652	\$ 646,969

The accompanying notes are integral to these financial statements.

COMMUNITY CHILD CARE SERVICES, INC.  
(A Nonprofit Organization)  
STATEMENT OF CASH FLOWS  
For the Years ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in net assets	\$ 122,588	\$ 46,716
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	36,173	31,146
(Increase) decrease in:		
Accounts receivable - fees and other	4,815	7,851
Government grants receivable	(1,060)	168
Prepaid insurance	228	1,634
Increase (decrease) in:		
Accounts payable	2,598	(4,029)
Accrued payroll and payroll taxes	(1,885)	(5,652)
Payroll withholding payable	(74)	(59)
Deferred revenue	4,093	(1,910)
Net cash provided by operating activities	<u>167,476</u>	<u>75,865</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash payments for the purchase of property	(141,850)	(3,890)
Net Cash Used by Investing Activities	<u>(141,850)</u>	<u>(3,890)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on note payable to Simmons/Sun Trust Bank	(15,917)	(12,940)
Net cash used by financing activities	<u>(15,917)</u>	<u>(12,940)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	9,709	59,035
Cash at the beginning of the year	<u>72,502</u>	<u>13,467</u>
Cash at end of year	<u>\$ 82,211</u>	<u>\$ 72,502</u>
<b>Supplemental cash flow disclosures:</b>		
Cash paid for:		
Interest	<u>\$ 2083</u>	<u>\$ 4,216</u>

The accompanying notes are an integral part of these statements.



COMMUNITY CHILD CARE SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2017 and 2016

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

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

Basis of Accounting

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

Financial Statement Presentation

The net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted Net Assets** – Net assets that are not subject to donor-imposed restrictions.

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

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

The Organization had no temporarily or permanently restricted net assets at June 30, 2017 and 2016.

Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes all monies in banks. The Organization has no cash equivalents for the years ended June 30, 2017 and 2016.

COMMUNITY CHILD CARE SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2017 and 2016

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

Accounts Receivable – Fees

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

Property and Equipment

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

Impairment of Long-Lived Assets

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

Public Support and Revenues

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

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

Functional Expenses

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



COMMUNITY CHILD CARE SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2017 and 2016

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

Advertising

The Organization expenses advertising costs as they are incurred. The Organization had no advertising expenses for the years ended June 30, 2017 and 2016.

Compensated Absences

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

Income Taxes

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

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ended 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 2: PROPERTY AND EQUIPMENT

The components of property and equipment as of June 30, 2017 and 2016 are as follows:

- The land and building are pledged as collateral for the note payable to Simmons Bank.
- Depreciation and amortization expense for the years ended June 30, 2017 and 2016 was \$36,173 and \$31,146, respectively.

COMMUNITY CHILD CARE SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2017 and 2016

NOTE 3: DONATED SERVICES AND ASSETS

The value of donated services and assets included in the financial statements and the corresponding expenditure of asset capitalization for the years ended June 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Contributed Services	\$ 1,000	\$ -
Contributed Equipment and Supplies	2,655	139
Total Revenues	<u>\$ 3,655</u>	<u>\$ 139</u>
Expenses		
Landhold	\$ 3,255	\$ -
General Supplies	400	139
Minor Equipment Purchases	-	-
Total Expenses	<u>\$ 3,655</u>	<u>\$ 139</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 25% and 30% of the total public support and revenues for the years ended June 30, 2017 and 2016, respectively.

The Organization receives child care fees from parents living in the Middle Tennessee region. The child care fees accounted for 59% and 62% of the total public support and revenues for the years ended June 30, 2017 and 2016, 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, 2017 and 2016 are \$1,499 and \$3,498, respectively.

COMMUNITY CHILD CARE SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
Years ended June 30, 2017 and 2016

NOTE 5: NOTE PAYABLE TO SUNTRUST BANK

The note payable to Sun Trust Bank was refinanced by a note payable to Simmons Bank on April 14, 2016 with an original principal balance of \$55,003. The balance on the note payable on June 30, 2017 and 2016 was \$36,702 and \$52,619, respectively. The note payable agreement provides for monthly payments of \$1,305.68 which includes interest at 4.50%. The maturity date of the note payable is February 14, 2020. The first deed of trust on the real estate is pledged as collateral for the note payable.

Future maturities of the note payable are as follows:

June 30, 2018	\$14,193
2019	14,845
2020	<u>7,664</u>
	\$36,702

NOTE 6: SUBSEQUENT EVENTS

The Organization has evaluated events and transactions subsequent to the year ended June 30, 2017. As of November 6, 2017, the date the financial statements were available to be issued, no other events, subsequent to the balance sheet date are considered necessary to be included in the financial statements for the year ended June 30, 2017.