

**COMMUNITY CHILD CARE SERVICES, INC.**

**Audited Financial Statements**

**Years Ended June 30, 2014 and 2013**

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## **INDEPENDENT AUDITOR'S REPORT**

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

I have audited the accompanying financial statements of Community Child Care Services, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Child Care Services, Inc. as of June 30, 2014 and 2013, 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.

***Emphasis-of-Matter Regarding Going Concern***

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 7 to the financial statements, the Organization has suffered recurring decreases in net assets that raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are also described in Note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. My opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read "Stuelkel, CPA, PC". The signature is written in a cursive, flowing style.

White House, Tennessee

February 16, 2015

**COMMUNITY CHILD CARE SERVICES, INC.****Statements of Financial Position****June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 27,856	\$ 27,506
Accounts receivable - fees, net of allowance for uncollectible accounts of \$10,295 and \$1,472 in 2014 and 2013, respectively	7,650	7,820
Government grants receivable	10,063	18,080
Prepaid insurance	1,194	4,926
Total current assets	<u>46,763</u>	<u>58,332</u>
<b>Property and equipment, net</b>	<u>645,728</u>	<u>670,346</u>
<b>Other assets</b>		
Deferred loan costs, net of accumulated amortization of \$1,274 and \$980 in 2014 and 2013, respectively	<u>1,662</u>	<u>1,956</u>
Total assets	<u><u>\$ 694,153</u></u>	<u><u>\$ 730,634</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 8,041	\$ 8,667
Accrued payroll and payroll taxes	13,974	14,230
Payroll withholdings payable	409	204
Deferred revenue	5,552	-
Current portion of long-term debt	12,181	11,266
Total current liabilities	<u>40,157</u>	<u>34,367</u>
<b>Long-term liabilities</b>		
Note payable to SunTrust Bank	<u>64,400</u>	<u>76,469</u>
Total liabilities	104,557	110,836
<b>Net assets</b>		
Unrestricted net assets	<u>589,596</u>	<u>619,798</u>
Total liabilities and net assets	<u><u>\$ 694,153</u></u>	<u><u>\$ 730,634</u></u>

See accompanying notes to financial statements.

**COMMUNITY CHILD CARE SERVICES, INC.**  
**Statements of Activities**  
**Years Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Unrestricted net assets</b>		
<b>Public support and revenues</b>		
Fees - net of discounts and refunds of \$13,273 and \$9,641 in 2014 and 2013, respectively	\$ 360,723	\$ 316,567
Government grants	309,953	340,144
Contributions	13,862	23,374
United Way	23,000	25,500
The Memorial Foundation grant	30,000	25,000
Special event revenue	480	
Contributed services	2,500	2,500
Contributed equipment and supplies	1,685	2,025
Interest income	<u>87</u>	<u>154</u>
Total unrestricted public support and revenues	<u>742,290</u>	<u>735,264</u>
<b>Expenses</b>		
Program services	638,662	636,261
Management and general	107,723	105,435
Fundraising	<u>26,107</u>	<u>26,057</u>
Total expenses	<u>772,492</u>	<u>767,753</u>
Total decrease in net assets	<u>(30,202)</u>	<u>(32,489)</u>
Net assets at beginning of year	<u>619,798</u>	<u>652,287</u>
Net assets at end of year	<u><u>\$ 589,596</u></u>	<u><u>\$ 619,798</u></u>

See accompanying notes to financial statements.

**COMMUNITY CHILD CARE SERVICES, INC.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2014 and 2013**

	2014				2013			
	Program Services	Supporting Services			Program Services	Supporting Services		
		Management & General	Fundraising	Total		Management & General	Fundraising	Total
Salaries and wages	\$409,867	\$64,195	\$19,752	\$ 493,814	\$407,098	\$63,762	\$19,619	\$ 490,479
Payroll taxes	30,794	4,823	1,484	37,101	32,774	5,133	1,579	39,486
Employee benefits	31,229	4,890	1,504	37,623	31,655	4,957	1,525	38,137
Payroll processing fees	2,645	414	127	3,186	2,643	413	127	3,183
Food	71,940	-	-	71,940	74,750	-	-	74,750
Bad Debt Expense	8,823	-	-	8,823	3,377	-	-	3,377
Bank charges	-	25	-	25	-	3	-	3
Contributions	10	-	-	10	-	-	-	-
Depreciation and amortization	21,175	2,491	1,245	24,911	21,159	2,489	1,244	24,892
Insurance	8,701	3,729	-	12,430	7,899	3,385	-	11,284
General supplies	8,550	7,581	-	16,131	8,479	7,518	-	15,997
Class supplies	3,538	-	-	3,538	5,157	-	-	5,157
Staff training	35	-	-	35	455	-	-	455
Housekeeping	8,122	902	-	9,024	8,122	902	-	9,024
Professional fees	-	10,150	-	10,150	-	6,985	-	6,985
Advertising	-	-	-	-	-	104	-	104
Dues and subscriptions	-	280	-	280	-	482	-	482
Interest expense	5,620	661	331	6,612	6,341	746	373	7,460
Loss on disposal of equipment	-	-	-	-	-	959	-	959
Minor equipment purchases	340	40	20	400	-	-	-	-
Office supplies	-	1,097	-	1,097	-	1,754	-	1,754
Flowers and gifts	-	136	-	136	-	-	-	-
Pest control	324	38	19	381	284	33	17	334
Postage	-	190	-	190	-	104	-	104
Printing	-	1,338	-	1,338	-	1,092	-	1,092
Repairs and maintenance	4,475	527	263	5,265	4,548	535	268	5,351
Sanitation	2,481	292	146	2,919	2,307	271	136	2,714
Security System	357	42	21	420	357	42	21	420
Utilities	18,651	2,194	1,097	21,942	17,901	2,106	1,053	21,060
Taxes and licenses	-	802	-	802	-	802	-	802
Telephone	985	886	98	1,969	955	858	95	1,908
Total expenses	\$ 638,662	\$ 107,723	\$ 26,107	\$ 772,492	\$ 636,261	\$ 105,435	\$ 26,057	\$ 767,753

See accompanying notes to financial statements.

**COMMUNITY CHILD CARE SERVICES, INC.**

**Statements of Cash Flows**

**Years ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Cash flows from operating activities</b>		
Decrease in net assets	\$ (30,202)	\$ (32,489)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	24,911	24,892
Loss on disposal of equipment	-	959
(Increase) decrease in:		
Accounts receivable - fees and other	170	(1,903)
Government grants receivable	8,017	3,750
Prepaid insurance	3,732	4,252
Increase (decrease) in:		
Accounts payable	(626)	985
Accrued payroll and payroll taxes	(256)	131
Payroll withholding payable	205	(280)
Deferred revenue	5,552	-
Net cash provided by operating activities	<u>11,503</u>	<u>297</u>
<b>Cash flows from investing activities</b>		
Cash payments for the purchase of property	<u>-</u>	<u>(2,597)</u>
Net cash used by investing activities	<u>-</u>	<u>(2,597)</u>
<b>Cash flows from financing activities</b>		
Principal payments on note payable to SunTrust Bank	<u>(11,153)</u>	<u>(10,306)</u>
Net cash used by financing activities	<u>(11,153)</u>	<u>(10,306)</u>
<b>Net increase (decrease) in cash</b>	350	(12,606)
<b>Cash at beginning of year</b>	<u>27,506</u>	<u>40,112</u>
<b>Cash at end of year</b>	<u>\$ 27,856</u>	<u>\$ 27,506</u>
<b>Supplemental cash flow disclosures:</b>		
Cash Paid For:		
Interest	<u>\$ 6,612</u>	<u>\$ 7,460</u>

See accompanying notes to financial statements.



# COMMUNITY CHILD CARE SERVICES, INC.

## Notes to Financial Statements

Years Ended June 30, 2014 and 2013

### Note 1. Nature of Activities and Significant Accounting Policies

#### A. Organization and Nature of Activities

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

#### B. Basis of Accounting

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

#### C. Financial Statement Presentation

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

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

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

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

The Organization had no temporarily or permanently restricted net assets at June 30, 2014 and 2013.

#### D. Estimates

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

**COMMUNITY CHILD CARE SERVICES, INC.**

**Notes to Financial Statements - Continued**

**Years Ended June 30, 2014 and 2013**

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

**E. Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash includes all monies in banks. The Organization had no cash equivalents for the years ended June 30, 2014 and 2013.

**F. Accounts Receivable - Fees**

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

**G. Property and Equipment**

The Organization capitalizes property and equipment acquisitions in excess of \$400 with an estimated useful life in excess of one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which range from 5 to 40 years.

**H. Impairment of Long-Lived Assets**

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

**I. Public Support and Revenues**

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

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

**J. Functional Expenses**

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

**COMMUNITY CHILD CARE SERVICES, INC.**  
**Notes to Financial Statements - Continued**  
**Years Ended June 30, 2014 and 2013**

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

**K. Advertising**

The Organization expenses advertising costs as they are incurred. Advertising expenses were \$0 and \$104 for the years ended June 30, 2014 and 2013, respectively.

**L. Compensated Absences**

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

**M. Income Taxes**

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

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2012, 2013 and 2014 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, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 80,000	\$ 80,000
Building and improvements	773,521	773,521
Equipment	53,073	53,073
Furniture and fixtures	33,719	33,719
Software	1,182	1,182
	<u>941,495</u>	<u>941,495</u>
Less: accumulated depreciation	(295,767)	(271,149)
Total property and equipment, net	<u>\$ 645,728</u>	<u>\$ 670,346</u>

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

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 was \$24,911 and \$24,892, respectively.

**COMMUNITY CHILD CARE SERVICES, INC.****Notes to Financial Statements - Continued****Years Ended June 30, 2014 and 2013****Note 3. Donated Services and Assets**

The value of donated services and assets included in the financial statements and the corresponding expenditure or asset capitalization for the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
<b>Revenues</b>		
Contributed services	\$ 2,500	\$ 2,500
Contributed equipment and supplies	1,685	2,025
Totals	<u>\$ 4,185</u>	<u>\$ 4,525</u>
<b>Expenses</b>		
Repairs and maintenance	\$ -	\$ 575
General supplies	350	-
Office supplies	-	350
Class supplies	935	1,600
Professional fees	2,500	2,000
Minor equipment purchases	400	-
Total expenses	<u>\$ 4,185</u>	<u>\$ 4,525</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 40% and 44% of the total public support and revenues for the years ended June 30, 2014 and 2013, respectively.

The Organization receives child care fees from parents living in the Middle Tennessee region. The child care fees accounted for 49% and 43% of the total public support and revenues for the years ended June 30, 2014 and 2013, 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, 2014 and 2013 are \$17,945 and \$9,292, respectively.

**Note 5. Note Payable to SunTrust Bank**

The note payable to SunTrust Bank refinanced a note payable to First State Bank on March 1, 2010 with an original principal balance of \$119,088. The balance on the note payable on June 30, 2014 and 2013 was \$76,581 and \$87,735, respectively. The note payable agreement provides for monthly payments of \$1,480 which includes interest at 7.88%. The maturity date of the note payable is March 1, 2020. The first deed of trust on the real estate is pledged as collateral for the note payable.

**COMMUNITY CHILD CARE SERVICES, INC.**

**Notes to Financial Statements - Continued**

**Years Ended June 30, 2014 and 2013**

**Note 5. Note Payable to SunTrust Bank - Continued**

Future maturities of the note payable are as follows:

<b>Years Ended June 30,</b>	<b>Total Payments</b>
2015	\$ 12,181
2016	13,176
2017	14,253
2018	15,417
2019	16,677
2020	4,877
Total	<u>\$ 76,581</u>

**Note 6. Related Party Transactions**

The Organization uses an insurance agent for its insurance needs. The insurance agent is a member of the Board of Directors for the years ended June 30, 2014 and 2013. Insurance expense for the years ended June 30, 2014 and 2013 is \$50,053 and \$49,421, respectively.

The Organization used a company owned by a member of the Board of Directors for repairs and maintenance and replacement of capital assets for the years ended June 30, 2014 and 2013. The total expenses for these services were \$315 and \$955 for the years ended June 30, 2014 and 2013, respectively.

**Note 7. Going Concern Considerations**

The Organization had a decrease in net assets for the fourth consecutive year for the year ended June 30, 2014. Subsequent to the year ended June 30, 2014, the Organization went from a Three Star reimbursement program with the State of Tennessee to no Stars effective July 1, 2014. The number of children enrolled in the Organization has also decreased subsequent to the year ended June 30, 2014. These factors, as well as the Organization's dependence on a few major donors create an uncertainty about the Organization's ability to continue as a going concern. In January and February 2015, the Board of Directors implemented changes to its business plan and replaced the Executive Director of the Organization. Management and the Board are aggressively pursuing new funding sources, reducing expenses in order to reduce the annual decrease in net assets and establish an adequate cash reserve. Plans are also being made to go back to Three Stars for the next fiscal year end. Management projects that all cash needs will be met throughout the fiscal year ending June 30, 2015. The ability of the Organization to continue as a going concern is dependent on the success of these actions. The financial statements do not include any adjustments relating to the recoverability of recorded asset amounts or the amounts of liabilities that might be necessary should the Organization be unable to continue as a going concern.

**COMMUNITY CHILD CARE SERVICES, INC.**

**Notes to Financial Statements - Continued**

**Years Ended June 30, 2014 and 2013**

**Note 8. Subsequent Events**

The Organization has evaluated events and transactions subsequent to the year ended June 30, 2014. As of February 16, 2015, the date the financial statements were available to be issued, no other events, except as discussed in Note 7, subsequent to the balance sheet date are considered necessary to be included in the financial statements for the year ended June 30, 2014.