

NORTH FULTON CHILD DEVELOPMENT
ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
North Fulton Child Development Association, Inc.
d/b/a Children's Development Academy:

Report on the Financial Statements

We have audited the accompanying financial statements of North Fulton Child Development Association, Inc. d/b/a Children's Development Academy (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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

Our responsibility is to express an opinion on these 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 audits 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Fulton Child Development Association, Inc. d/b/a Children's Development Academy as of June 30, 2018 and 2017, 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.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
December 7, 2018

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 930,758	\$ 623,638
Grants and other accounts receivables, net of allowance for uncollectible accounts of \$13,000, respectively	84,452	38,918
Pledges receivable	2,328	1,924
Prepaid expenses	72,398	101,549
Investments	205,603	194,155
Property and equipment, net	1,624,260	1,551,817
Total assets	\$ 2,919,799	\$ 2,512,001
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 51,566	\$ 13,724
Accrued expenses	22,318	19,198
Tuition deposits	11,184	10,495
Deferred revenue	300,000	-
Total liabilities	385,068	43,417
Commitments and contingencies		
Net assets:		
Without donor restrictions	2,141,858	2,266,894
With donor restrictions	392,873	201,690
Total net assets	2,534,731	2,468,584
Total liabilities and net assets	\$ 2,919,799	\$ 2,512,001

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Revenues, gains and other support:			
Governmental grants and contracts	\$ 913,245	\$ -	\$ 913,245
Foundation grants	104,721	161,767	266,488
United Way	56,111	12,594	68,705
Contributions	97,121	135,040	232,161
Tuition and fees net of \$239,966 and \$270,255 in scholarships and discounts	510,509	-	510,509
Special events, net of expenses of \$156,935 and \$105,782	79,383	-	79,383
In-kind contributions	137,816	-	137,816
Rental income, net	53,780	-	53,780
Net investment income	-	11,448	11,448
Interest and other income	2,777	-	2,777
Net assets released from restrictions	129,666	(129,666)	-
Total revenues, gains and other support	2,085,129	191,183	2,276,312
Expenses:			
Program services	1,589,882	-	1,589,882
Supporting services:			
Fundraising	292,571	-	292,571
Administration	327,712	-	327,712
Total expenses	2,210,165	-	2,210,165
Decrease in net assets	(125,036)	191,183	66,147
Net assets, beginning of year	2,266,894	201,690	2,468,584
Net assets, end of year	\$ 2,141,858	\$ 392,873	\$ 2,534,731

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Without Donor Restrictions	With Donor Restrictions	2017 Total
Revenues, gains and other support:			
Governmental grants and contracts	\$ 950,406	\$ -	\$ 950,406
Foundation grants	92,950	5,500	98,450
United Way	61,682	17,908	79,590
Contributions	147,147	86,751	233,898
Tuition and fees net of \$270,255 and \$193,102 in scholarships and discounts	563,920	-	563,920
Special events, net of expenses of \$105,782 and \$123,473	70,389	-	70,389
In-kind contributions	15,504	-	15,504
Rental income, net	54,390	-	54,390
Net investment income	-	15,490	15,490
Interest and other income	8,377	-	8,377
Net assets released from restrictions	234,794	(234,794)	-
Total revenues, gains and other support	2,199,559	(109,145)	2,090,414
Expenses:			
Program services	1,694,261	-	1,694,261
Supporting services:			
Fundraising	140,100	-	140,100
Administration	367,936	-	367,936
Total expenses	2,202,297	-	2,202,297
Increase (decrease) in net assets	(2,738)	(109,145)	(111,883)
Net assets, beginning of year	2,269,632	310,835	2,580,467
Net assets, end of year	\$ 2,266,894	\$ 201,690	\$ 2,468,584

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services		2018 Total
		Fundraising	Administration	
Salaries	\$ 1,063,974	\$ 114,576	\$ 197,927	\$ 1,376,477
Payroll tax and benefits	145,426	14,285	23,526	183,237
Food	80,552	-	-	80,552
Insurance	11,467	618	4,791	16,876
Janitorial services	29,302	1,803	13,975	45,080
Repairs and maintenance	21,663	936	7,254	29,853
Utilities	35,305	2,173	16,838	54,316
Telephone	8,310	895	1,546	10,751
Supplies	93,962	2,338	4,360	100,660
Printing and postage	114	220	281	615
Training and professional development	4,081	-	-	4,081
Technology	6,283	10,006	2,329	18,618
Professional fees	6,129	642	20,868	27,639
Marketing and promotion	3,913	136,002	120	140,035
Dues and subscriptions	7,003	1,259	510	8,772
Travel	1,288	421	148	1,857
Meals and entertainment	618	-	-	618
Bad debt	2,363	-	-	2,363
Other expenses	7,021	2,637	4,095	13,753
Total expenses before depreciation	1,528,774	288,811	298,568	2,116,153
Depreciation	61,108	3,760	29,144	94,012
Total expenses	\$ 1,589,882	\$ 292,571	\$ 327,712	\$ 2,210,165

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Supporting Services		2017 Total
		Fundraising	Administration	
Salaries	\$ 1,073,763	\$ 87,045	\$ 213,402	\$ 1,374,210
Payroll tax and benefits	149,067	10,484	23,245	182,796
Food	81,445	-	-	81,445
Insurance	11,741	635	4,921	17,297
Janitorial services	25,234	1,553	12,035	38,822
Repairs and maintenance	34,036	1,471	12,481	47,988
Utilities	34,706	2,136	16,552	53,394
Telephone	6,717	544	1,335	8,596
Supplies	152,852	3,498	9,053	165,403
Printing and postage	40	531	505	1,076
Training and professional development	17,392	-	-	17,392
Technology	7,359	5,255	3,244	15,858
Professional fees	5,394	3,775	20,368	29,537
Marketing and promotion	7,207	11,167	21	18,395
Dues and subscriptions	4,600	2,746	1,851	9,197
Travel	1,026	-	1,034	2,060
Meals and entertainment	232	-	-	232
Bad debt	2,461	-	-	2,461
Other expenses	6,100	4,775	13,126	24,001
Total expenses before depreciation	1,621,372	135,615	333,173	2,090,160
Depreciation	72,889	4,485	34,763	112,137
Total expenses	\$ 1,694,261	\$ 140,100	\$ 367,936	\$ 2,202,297

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 66,147	\$ (111,883)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	94,012	112,137
Net realized and unrealized gain on investments	(10,737)	(15,199)
Bad debt expense	2,363	2,461
Changes in assets and liabilities:		
(Increase) decrease in:		
Pledges receivable, not for long-term purposes	(404)	171
Other receivable	(47,897)	7,129
Prepaid expenses	29,151	(83,532)
Increase (decrease) in:		
Accounts payable	37,842	12,209
Accrued expenses	3,120	(1,648)
Tuition deposits	689	220
Deferred revenue	300,000	-
Total adjustments	408,139	33,948
Net cash provided by (used in) operating activities	474,286	(77,935)
Cash flows from investing activities:		
Redemption of certificate of deposit	-	202,400
Purchases of investments	(711)	(291)
Purchases of property and equipment	(166,455)	(87,193)
Net cash provided by (used in) investing activities	(167,166)	114,916
Net increase in cash and cash equivalents	307,120	36,981
Cash and cash equivalents at beginning of year	623,638	586,657
Cash and cash equivalents at end of year	\$ 930,758	\$ 623,638

The accompanying notes are an integral part of these financial statements.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies

Organization

North Fulton Child Development Association, Inc. d/b/a Children's Development Academy, (the Association) is a Georgia nonprofit organization which was formed in 1968. In fiscal year 2018, its primary programs were as follows:

Children's Center – provides NAEYC (National Association for the Education of Young Children) accredited full-day early care and learning programs five days per week for toddlers and preschoolers, as well as under the Georgia Pre-K program for four-year olds. In all, there are nine classes serving over 150 children.

Kids Express – provides drop-in early education services, under a public-private partnership with Fulton County, at the North Fulton Service Center and at Adamsville Regional Health Center, for children aged three months to seven years. Approximately 2,000 children were served during this fiscal year. Due to Fulton County budget cuts, the Kids Express centers were closed on December 31, 2017.

Community Center – as directed in its original charter, the Association leases space in its CDA Community Center facility to other nonprofits, making the Center a focal point for charitable activities in North Fulton County. During fiscal year 2018, four other nonprofits lease space in the Center. They include organizations which provide housing alternatives to families at risk of homelessness, bilingual family counseling, a neighborhood association supporting services to low-income households, and a church. Due to a restructure of the family counseling organization, their relationship with the Association ended January 31, 2018 and the organization that provides housing alternatives lease was revised to include that space.

Basis of Accounting and Presentation

The Association prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

To ensure observance of limitations and restrictions placed on the use of resources available to the Association, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions are resources not subject to donor-imposed restrictions or law.
- Net assets with donor restrictions are resources whose use by the Association is limited by donor-imposed restrictions that either expire by the passage of time, can be fulfilled by actions of the Association, or require the corpus be maintained in perpetuity.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Allowance for Doubtful Accounts

The Association uses an allowance method to determine uncollectible grants, contracts and other receivables. The allowance is based on prior years' experience and management's analysis of specific promises made and amounts billed and to be reimbursed. An allowance of \$13,000 has been recorded for the years ending June 30, 2018 and 2017, respectively.

Property and Equipment

Property and equipment are stated at cost or if donated, at estimated fair value at time of donation. Depreciation is computed by the straight-line method over the estimated useful lives as stated below. At June 30, 2018, the estimated useful lives of property and equipment were as follows:

Building under long-term capital lease	40 years
Leasehold improvements	7 - 40 years
Furniture, fixtures and equipment	5 - 15 years

The Association follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. The fair value of donated fixed assets is similarly capitalized.

Long-Lived Assets

The Association evaluates its long-lived assets held for use in operations, including real estate, for indicators for impairment and, if impaired, records such assets at the lower of cost or fair value as described in GAAP. There were no impairment losses during the years ended June 30, 2018 and 2017.

Deferred Revenue

Certain grants require the Association to perform specific services to earn the related revenue. In some cases, cash payments are received from the grantor in advance of the Association performing the related services. Accordingly, grant revenue proceeds received related to services to be performed in future periods are deferred on the statements of financial position and recognized as revenue in the statement of activities in the year when earned. As of June 30, 2018, \$300,000 was recorded as deferred revenue. There was no deferred revenue for the year ended June 30, 2017.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Contributions

In accordance with GAAP, contributions are recognized as revenue in the year they are received or promised, with allowances provided for unconditional promises to give estimated to be uncollectible. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts (if any) is included in contributions in the accompanying statements of activities.

Depending on the existence and/or nature of any donor restrictions, contributions are recorded as support with donor restrictions or support without donor restrictions. Time and purpose donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Grants and Contracts

The Association received approximately 40% and 45%, respectively, of its funding through the Georgia Department of Early Care and Learning and various other local governmental agencies for the years ended June 30, 2018 and 2017. Receivables arise from fees for services provided under and to a lesser extent, reimbursement owed through these government contracts. The Association's ability to collect amounts due is affected by the outside agencies' acceptance of reimbursable expenses and performance-based outcomes, which meet contract requirements.

In addition, the Association depends heavily on grants and contributions for its revenue. The ability of certain of the Association's contributors and grantors to continue giving amounts comparable with prior years may be dependent upon overall economic conditions. While the Association's Board of Directors believes the Association has the resources to continue its program, its ability to do so and the extent to which it continues may be dependent on the above factors.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Donated Equipment, Material, Supplies and Services

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

All non-cash gifts (other than personal services) are recorded at their estimated fair value at date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No amounts have been recognized in the financial statements for general volunteer services, since these services received do not meet the GAAP criteria noted above.

The Association received donated goods and services as follows for the years ended June 30:

	Special Event Related		Other		Total	
	2018	2017	2018	2017	2018	2017
Goods	\$ 37,632	\$ -	\$ 8,416	\$ 8,871	\$ 46,048	\$ 8,871
Services	6,500	4,898	129,400	6,633	135,900	11,531
Total	<u>\$ 44,132</u>	<u>\$ 4,898</u>	<u>\$ 137,816</u>	<u>\$ 15,504</u>	<u>\$ 181,948</u>	<u>\$ 20,402</u>

Rental Income

Rental income is recognized when earned. The Association leases space to various nonprofit organizations.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Income Taxes

The Association is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There was no unrelated business income for the years ended June 30, 2018 and 2017, respectively. Management believes that it has appropriate support for any tax positions taken by the Association, and as such does not have any uncertain tax positions that are material to the financial statements. The Association's income tax returns are subject to examination by the appropriate regulatory authorities and remain open for the last three years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include telephone, supplies, printing and postage, technology, professional fees, marketing and promotion, dues and subscriptions, travel and other expenses, which are allocated on the basis of estimates of how the expenses support the programs and supporting services. Insurance, janitorial services, repairs and maintenance, utilities, and depreciation expense are allocated on a square foot basis. Lastly, salaries, payroll tax and benefits, not directly charged, are allocated on the basis of estimates of time and effort. The tenant's portion of insurance, janitorial services, repairs and maintenance and supplies are included in administration expenses. Fundraising expenses include \$125,000 of donated services related to rebranding of the Association.

Advertising

Advertising (marketing and promotion) costs are expensed as incurred. Advertising expense for the years ended June 30, 2018 and 2017 was \$140,035 and \$18,395, respectively.

Statements of Cash Flows and Concentration of Credit Risk

The Association considers all cash investments and highly liquid investments with original maturities of three months or less to be cash equivalents. The account balances (as reflected in the institution's records) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018 and 2017, the Association's cash balances exceed federally insured deposit limit by \$386,751 and \$118,498 respectively.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Nature of Organization and Significant Accounting Policies – Continued

Reclassification of Amounts

Certain amounts previously reported have been reclassified to conform to the current year financial statement presentation.

New Accounting Policy

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements for Not-for-Profit Entities*, which improves the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. The guidance requires retrospective application. The Association adopted this guidance for the fiscal year ended June 30, 2018. This new accounting policy did not affect net assets.

Subsequent Events

Subsequent events have been evaluated through December 7, 2018, which is the date the financial statements were available to be issued. In October 2018, the Association entered into a construction contract for \$374,920 to replace the building's heating, ventilation and air conditioning systems.

2. Liquidity and Availability of Financial Assets

The Association is substantially supported by grants, contracts, tuition, fees, contributions, special event revenues, and rental income. However, a material amount of grants and contributions with donor restrictions are received each year for various programs. As a donor's restrictions require funds to be used in a particular manner or in a future period, the Association maintains those restricted funds so that they are available to meet those responsibilities as they are required to be met. Accordingly, these financial assets are not available to the Association for its general expenditures. General expenditures may be incurred for program, fundraising, or administrative purposes.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

2. Liquidity and Availability of Financial Assets – Continued

The Association's financial assets at June 30, 2018 (reduced by amounts that are not available for general use because of contractual or donor-imposed restrictions) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

Cash and cash equivalents	\$	930,758
Grants and other accounts receivable		84,452
Pledges receivable		2,328
Total financial assets		1,017,538
Less:		
Donor restricted cash		484,942
Financial assets available to meet cash needs for general expenditures within one year	\$	532,596

The Association structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition to financial assets available to meet general expenditures over the next twelve months, the Association operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows which identifies sources and uses of the Association operating cash and shows positive cash generated by operations for fiscal year 2018.

3. Property and Equipment, Net

Property and equipment, net consists of the following at June 30:

	2018	2017
Construction in process	\$ 309,685	\$ 174,757
Land under long-term capital lease	34,085	34,085
Building under long-term capital lease	648,267	648,267
Land	118,500	118,500
Leasehold improvements	2,539,052	2,517,388
Furniture, fixtures, and equipment	222,561	212,698
	3,872,150	3,705,695
Less accumulated depreciation	(2,247,890)	(2,153,878)
Total property and equipment, net	\$ 1,624,260	\$ 1,551,817

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

3. Property and Equipment, Net – Continued

In 1978, in connection with grants received from various foundations, the Association transferred title to the original land and building of the CDA Community Center to the Community Foundation of Greater Atlanta (Foundation), and simultaneously leased these assets back under a \$1 per year lease. The purpose of this arrangement was to ensure this property will always be used for the charitable purposes of the Association. All costs of operating the facility remain with the Association, and neither the Association nor the Foundation may enter into any arrangement which places a lien on the property. In April 2007, the lease was amended and expires December 31, 2106. Because of the length of the term and the bargain element of the lease, as well as the intent of the parties for the incidents of ownership to remain with the Association, these assets were and are continued to be carried on the books of the Association at original cost, less depreciation. As of June 30, 2018 and 2017, \$551,716 and \$543,725, respectively, of accumulated depreciation related to the building, is recorded in the accompanying statements of financial position. Improvements to the property are recorded separately as leasehold improvements.

Construction in Progress

The Association is partnering with the City of Roswell to re-engineer the Grove Way-Bush Street intersection to improve visibility and to add sidewalks making the neighborhood safer for vehicle and pedestrian traffic. The re-grading of Grove Way and Bush Streets will enable the Association to overhaul its parking lots, one of which currently has a hazardous 18% grade. Management of on-site traffic flow will be much improved and will interface with the public roadways in a more coordinated manner. As of June 30, 2018 and 2017, the Association has spent \$300,412 and \$174,757, respectively, on this project. Foundation grants and a City of Roswell Community Development Block grant covered these expenses.

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of funds the Association has received subject to donor-imposed restrictions and consist of the following at June 30:

	2018	2017
Pledges receivable	\$ 2,328	\$ 1,924
Net Assets with Purpose Restrictions		
Program restrictions:		
Staff and teacher positions	6,075	-
Unappropriated earnings on endowment	55,603	44,155
Building improvements	178,867	5,611
Total net assets with purpose restrictions	240,545	49,766
Net Assets Perpetual in Nature		
Program restrictions:		
Tuition assistance	150,000	150,000
Total net assets perpetual in nature	150,000	150,000
Total net assets with donor restrictions	\$ 392,873	\$ 201,690

5. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors as follows for the year ended June 30:

	2018	2017
Tuition assistance and accreditation	\$ 69,040	\$ 122,500
Staff and teacher positions	13,925	13,838
Teacher and parent education	-	73,738
Building improvements	34,512	6,639
Time restricted	12,189	18,079
Net assets released from restrictions	\$ 129,666	\$ 234,794

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. Endowed Net Assets and Investments

The Association follows the requirements of Georgia's Uniform Prudent Management of Institutional Funds Act (the Act). The Association is required to evaluate any gift instruments and related information to determine the intentions of the donor. The Association classifies gifts that are not immediately expendable as either net assets with purpose restrictions or net assets perpetual in nature, depending on the restrictions that the donor has imposed. Net assets perpetual in nature for both of the years ended June 30, 2018 and 2017 was \$150,000 and is comprised of funds the Association received to establish an endowment for need-based tuition assistance.

Investment and Spending Policies

The endowment is overseen by a committee comprised of various Board and Finance Committee members as well as community representatives appointed by the Board of Directors. The endowment is currently being managed by an investment advisor under the Finance Committee's oversight, using a long term growth and income strategy.

The assets are donor restricted for tuition, preferably for Hispanic and Latino children. Income from this endowment may be disbursed for the restricted purpose. The Endowment Committee of the Association has determined that no funds will be appropriated for scholarships until a minimum balance is achieved. The minimum balance was set initially at \$250,000 and revised to \$175,000 in fiscal year 2018. At such time, the greater of 5% of the previous year-end fund balance or the income generated by the fund for the previous year will be available for appropriation. When funds are available under this policy, the Association's Board will review tuition requests and determine whether they are consistent with donor intentions.

The following table shows the change in donor-restricted endowment net assets for the years ended June 30:

	2018		2017	
	Net Assets With Purpose Restrictions	Net Assets Perpetual In Nature	Net Assets With Purpose Restrictions	Net Assets Perpetual In Nature
Beginning of year	\$ 44,155	\$ 150,000	\$ 28,665	\$ 150,000
Investment return:				
Dividend income	3,746	-	3,463	-
Realized gains and losses, net	3,974	-	2,758	-
Unrealized gains and losses, net	6,763	-	12,441	-
Investment expenses	(3,035)	-	(3,172)	-
Total investment return	11,448	-	15,490	-
End of year	\$ 55,603	\$ 150,000	\$ 44,155	\$ 150,000

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

6. Endowed Net Assets and Investments – Continued

Investment Assets

The Association classifies its investment assets using a hierarchy of inputs to fair value measurements in accordance with GAAP, as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the Association has the ability to access.

Level 2 – Inputs to the valuation methodology that are derived principally from or corroborated by observable market data:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable and significant to the overall fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The Association's mutual funds consist exclusively of investments in exchange-traded mutual funds and are Level 1 investments. Money market funds are carried at cost, which approximates fair value and are Level 1 investments.

The fair market value of investments is summarized below at June 30:

	Fair Value Hierarchy Level	2018	2017
Money market funds	1	\$ 17,922	\$ 13,584
Mutual funds			
Equities	1	112,049	118,007
Fixed income	1	69,931	56,738
Other	1	5,701	5,826
Total investments		\$ 205,603	\$ 194,155

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

7. Retirement Plan

The Association maintains a Savings Incentive Match Plan for its employees. Participation in the plan is voluntary and is available to all employees receiving \$5,000 or more in annual compensation. The Association matches employee contributions up to 3% of total employee compensation. Employer contributions for the years ended June 30, 2018 and 2017 totaled \$7,165 and \$7,919, respectively.

8. Operating Lease Commitments

The Association leases certain office equipment under non-cancelable operating leases. Rent paid for these leases totaled \$4,320 for both years ended June 30, 2018 and 2017, respectively. Future minimum rental payments under these leases are as follows:

<u>Year ended June 30,</u>	
2019	\$ 4,320
2020	<u>3,240</u>
	<u>\$ 7,560</u>

9. Rental Income

The Association sub-leases space in the North Fulton Human Services Center to various other nonprofit organizations. Average monthly rental income approximates \$4,482 and \$4,533 for the years ended June 30, 2018 and 2017, respectively. The future minimum rental income expected to be received under the leases is as follows:

<u>Year ended June 30,</u>	
2019	\$ 27,600
2020	8,250
2021	<u>1,200</u>
	<u>\$ 37,050</u>

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

10. Commitments and Contingencies

Certain grants and contracts often require fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of the Association deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal, state or local funds, the related governmental unit or agency. They have the authority to determine liabilities or limit or suspend participation in the various sponsored programs.

11. Related Party Transactions

Three members of the Board of Directors were employed by separate banks in which the Association held cash accounts totaling \$930,096 and \$622,367, at June 30, 2018 and 2017, respectively.

12. Student Scholarship Organization Funding

The School has an agreement with Apogee Georgia School Choice Scholarship Fund ("Apogee"), a 501(c)(3) tax-exempt organization and a registered student scholarship organization ("SSO"), wherein both the School and Apogee solicit amounts from donors in the State of Georgia as part of the Georgia Private School Tax Credit Program. Under this law, taxpayers may make a contribution up to \$2,500 to a SSO and effectively redirect a portion of their Georgia income tax dollars to a school participating in the SSO and receive a "dollar for dollar" Georgia tax credit equal to the amount of their donation, provided the taxpayer itemizes.

Participation is subject to approval from the Georgia Department of Revenue and is subject to annual program dollars of availability of the tax credits by the Georgia General Assembly. Funds contributed to Apogee and designated for the Association are held in trust by Apogee until scholarship awards are approved and disbursed to eligible students. When received, the Association recognizes this as tuition revenue in the school year to which it relates.

At June 30, 2018 and 2017, Apogee held contributions totaling approximately \$41,549 and \$27,918, respectively, for the Association students.

NORTH FULTON CHILD DEVELOPMENT
ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY

OTHER INFORMATION AS REQUIRED BY
THE STATE OF GEORGIA



INDEPENDENT AUDITOR'S REPORT
ON OTHER INFORMATION

To the Board of Directors of the
North Fulton Child Development Association, Inc. d/b/a Children's Development Academy:

We have audited the financial statements of North Fulton Child Development Association, Inc. d/b/a Children's Development Academy for the years ended June 30, 2018 and 2017, and have issued our report thereon dated December 7, 2018, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of state contractual assistance is presented for the purposes of additional analysis and is not a required part of the financial statements. 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 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.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
December 7, 2018

NORTH FULTON CHILD DEVELOPMENT ASSOCIATION, INC.
d/b/a CHILDREN'S DEVELOPMENT ACADEMY
SCHEDULE OF STATE CONTRACTUAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2018

Program	Cash Receipts	Expenditures	Amount Due from (to) Agency
Bright from the Start: Georgia Department of Early Care and Learning: Pre-K Program	\$ 260,469	\$ 260,469	\$ -
Bright from the Start: Georgia Department of Early Care and Learning: Rising Pre-K Program	48,600	48,600	-
Striving Reader Comprehensive Literacy Program: Georgia Department of Education	131,179	131,179	-
Total State Contractual Assistance	\$ 440,248	\$ 440,248	\$ -

See Independent Auditor's Report on Other Information.