

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES**

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
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Report of Independent Auditor

To the Board of Directors
Fannie Battle Day Home for Children, Inc. and Affiliate
Nashville, Tennessee

Opinion

We have audited the accompanying consolidated financial statements of Fannie Battle Day Home for Children, Inc. and Affiliate (a nonprofit organization) (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in pages 18 through 21 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 consolidated 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 consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Cherry Bekaert LLP

Nashville, Tennessee
September 15, 2022

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 750,969	\$ 513,572
Investments	300,099	293,293
Grants, accounts, and contributions receivable	41,945	32,567
Prepaid expenses	5,810	5,001
Total Current Assets	<u>1,098,823</u>	<u>844,433</u>
Property and Equipment:		
Land	178,000	178,000
Buildings	1,741,131	1,681,990
Equipment	216,904	206,972
Playground	124,997	124,997
Bus	59,630	59,630
	<u>2,320,662</u>	<u>2,251,589</u>
Less accumulated depreciation	(698,619)	(625,309)
Property and Equipment, net	<u>1,622,043</u>	<u>1,626,280</u>
Investments - endowment	939,185	1,084,922
Total Assets	<u>\$ 3,660,051</u>	<u>\$ 3,555,635</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 6,139	\$ 24,822
Accrued expenses	14,933	11,481
Deferred revenue	-	24,292
Total Current Liabilities	<u>21,072</u>	<u>60,595</u>
Net Assets:		
Board designated	914,185	1,059,922
Undesignated	2,699,794	2,410,118
Total Without Donor Restrictions	<u>3,613,979</u>	<u>3,470,040</u>
With donor restrictions	25,000	25,000
Total Net Assets	<u>3,638,979</u>	<u>3,495,040</u>
Total Liabilities and Net Assets	<u>\$ 3,660,051</u>	<u>\$ 3,555,635</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Public Support:			
Contributions	\$ 336,829	\$ -	\$ 336,829
Membership fundraising activities	225,200	-	225,200
Grants	418,963	-	418,963
Total Public Support	<u>980,992</u>	<u>-</u>	<u>980,992</u>
Revenues:			
Day home fees	800,735	-	800,735
DHS food subsidies	40,599	-	40,599
Facility revenue	13,134	-	13,134
Investment return, net	(138,049)	-	(138,049)
Total Revenues	<u>716,419</u>	<u>-</u>	<u>716,419</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenues	<u>1,697,411</u>	<u>-</u>	<u>1,697,411</u>
Expenses:			
Program services	1,272,445	-	1,272,445
Supporting services	281,027	-	281,027
Total Expenses	<u>1,553,472</u>	<u>-</u>	<u>1,553,472</u>
Change in net assets	143,939	-	143,939
Net assets, beginning of year	<u>3,470,040</u>	<u>25,000</u>	<u>3,495,040</u>
Net assets, end of year	<u>\$ 3,613,979</u>	<u>\$ 25,000</u>	<u>\$ 3,638,979</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenues:			
Public Support:			
Contributions	\$ 424,173	\$ -	\$ 424,173
Membership fundraising activities	216,637	-	216,637
Total Public Support	<u>640,810</u>	<u>-</u>	<u>640,810</u>
Revenues:			
Day home fees	793,312	-	793,312
DHS food subsidies	60,501	-	60,501
Facility revenue	3,967	-	3,967
Investment return, net	243,358	-	243,358
Total Revenues	<u>1,101,138</u>	<u>-</u>	<u>1,101,138</u>
Net assets released from restrictions	<u>13,400</u>	<u>(13,400)</u>	<u>-</u>
Total Public Support and Revenues	<u>1,755,348</u>	<u>(13,400)</u>	<u>1,741,948</u>
Expenses:			
Program services	1,199,085	-	1,199,085
Supporting services	223,708	-	223,708
Total Expenses	<u>1,422,793</u>	<u>-</u>	<u>1,422,793</u>
Change in net assets	332,555	(13,400)	319,155
Net assets, beginning of year	<u>3,137,485</u>	<u>38,400</u>	<u>3,175,885</u>
Net assets, end of year	<u>\$ 3,470,040</u>	<u>\$ 25,000</u>	<u>\$ 3,495,040</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services		Supporting Services		Total Expenses
	Day Home	Fundraising Activities	General and Administrative		
				Total	
Salaries	\$ 809,884	\$ 43,201	\$ 69,122	\$ 112,323	\$ 922,207
Repairs and maintenance	130,456	-	-	-	130,456
Groceries	67,387	-	-	-	67,387
Payroll taxes	53,994	3,305	5,288	8,593	62,587
Legal and professional fees	-	-	54,597	54,597	54,597
Advertising and other fundraising	-	32,860	-	32,860	32,860
Utilities	32,849	-	-	-	32,849
Employee benefits	26,603	1,878	2,817	4,695	31,298
Insurance	28,930	-	1,843	1,843	30,773
Printing and technology	-	-	27,443	27,443	27,443
Children's enrichment	26,855	-	-	-	26,855
Credit card fees	-	-	22,684	22,684	22,684
Office supplies and expenses	-	-	13,484	13,484	13,484
Teacher and family education	10,078	-	-	-	10,078
Classroom expenses	8,056	-	-	-	8,056
Auto expense	3,316	-	-	-	3,316
Permits and memberships	-	-	2,505	2,505	2,505
Miscellaneous	727	-	-	-	727
	1,199,135	81,244	199,783	281,027	1,480,162
Depreciation	73,310	-	-	-	73,310
	<u>\$ 1,272,445</u>	<u>\$ 81,244</u>	<u>\$ 199,783</u>	<u>\$ 281,027</u>	<u>\$ 1,553,472</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services		Supporting Services		Total Expenses
	Day Home	Fundraising Activities	General and Administrative		
			Total		
Salaries	\$ 745,250	\$ 42,830	\$ 68,529	\$ 111,359	\$ 856,609
Repairs and maintenance	125,509	-	-	-	125,509
Groceries	65,266	-	-	-	65,266
Payroll taxes	53,276	3,276	5,242	8,518	61,794
Legal and professional fees	-	-	42,863	42,863	42,863
Advertising and other fundraising	-	9,334	-	9,334	9,334
Utilities	30,210	-	-	-	30,210
Employee benefits	29,212	2,062	3,093	5,155	34,367
Insurance	30,325	-	1,843	1,843	32,168
Printing and technology	-	-	18,012	18,012	18,012
Children's enrichment	20,574	-	-	-	20,574
Credit card fees	-	-	15,539	15,539	15,539
Office supplies and expenses	-	-	9,125	9,125	9,125
Teacher and family education	11,554	-	-	-	11,554
Classroom expenses	11,017	-	-	-	11,017
Auto expense	1,120	-	-	-	1,120
Permits and memberships	-	-	1,960	1,960	1,960
Miscellaneous	113	-	-	-	113
	<u>1,123,426</u>	<u>57,502</u>	<u>166,206</u>	<u>223,708</u>	<u>1,347,134</u>
Depreciation	75,659	-	-	-	75,659
	<u>\$ 1,199,085</u>	<u>\$ 57,502</u>	<u>\$ 166,206</u>	<u>\$ 223,708</u>	<u>\$ 1,422,793</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 143,939	\$ 319,155
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	73,310	75,659
Realized and unrealized loss (gain) on investments, net	182,768	(204,986)
Changes in operating assets and liabilities:		
Grants, accounts, and contributions receivable	(9,378)	28,144
Prepaid expenses	(809)	110
Accounts payable	(18,683)	(886)
Accrued expenses	3,452	(23,525)
Deferred revenue	(24,292)	24,292
Net cash flows from operating activities	<u>350,307</u>	<u>217,963</u>
Cash flows from investing activities:		
Proceeds from sale of investments	355,755	433,372
Purchase of investments	(399,592)	(469,653)
Purchase of property and equipment	(69,073)	(2,049)
Net cash flows from investing activities	<u>(112,910)</u>	<u>(38,330)</u>
Change in cash and cash equivalents	237,397	179,633
Cash and cash equivalents, beginning of year	<u>513,572</u>	<u>333,939</u>
Cash and cash equivalents, end of year	<u>\$ 750,969</u>	<u>\$ 513,572</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Nature of operations and summary of significant accounting policies

Nature of Operations – Fannie Battle Day Home for Children, Inc. and Affiliate (the “Organization”) is a not-for-profit corporation with a mission to provide affordable, high-quality childcare for at-risk children in a nurturing environment while empowering families to reach their potential.

Principles of Consolidation – The consolidated 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 consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). 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:

Without Donor Restrictions – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with the donors’ stipulations results in the release of such restrictions.

With Donor Restrictions – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by the action of the Organization. Net assets with donor restrictions are restricted by donors for specific purposes, and include unconditional pledges. Restricted contributions whose purpose is met in the same year as received are recorded as unrestricted contributions.

Contributions – Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises to give (that is, those with a measurable performance or other barrier and a right of return) are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue. An allowance for uncollectible contributions is provided based upon management’s judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

In September 2020, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ending June 30, 2022 and had an immaterial effect on the Organization’s consolidated financial statements upon adoption. Such contributions are used in the Organization’s programs. There have been no donor restrictions placed on such contributions.

Cash and Cash Equivalents – The Organization considers all highly-liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Investments – In accordance with U.S. GAAP, 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 THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Nature of operations and 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 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. U.S. GAAP has 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. No changes in the valuation methodologies have been made during the year ended June 30, 2022.

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.

Endowment Funds – The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) was enacted in Tennessee effective July 1, 2007. FASB Accounting Standards Codification (“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.

Advertising – The Organization expenses advertising costs as incurred.

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. Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses that have been allocated consist primarily of salaries and related expenses that have been allocated based on time and effort.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Nature of operations and summary of significant accounting policies (continued)

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition – The Organization recognizes revenue in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Under this guidance an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Day Home Fees Revenue Recognition – Day home fees revenue is reported in the consolidated statement of activities in the month in which the related services are rendered.

Deferred Revenue – Day home fee revenues received prior to the month in which the services are provided are reported as deferred.

Contract Balances – Net accounts receivable were \$1,937 and \$729, respectively, as of June 30, 2022 and 2021. Deferred revenue was \$-0- and \$24,292, respectively, as of June 30, 2022 and 2021.

Accounts receivable consist of amounts due from program services rendered, and are presented net of an allowance for doubtful accounts. Management evaluates the collectability of accounts receivable based primarily on the length of time the receivables are past due, historical experience, and families' ability to meet their financial obligations. When an account is deemed to be uncollectible, the Organization recognizes an allowance for doubtful accounts. However, actual accounts receivable write-offs might differ from management's estimate. All balances outstanding at June 30, 2022 and 2021 are deemed to be fully collectible.

Performance Obligations and Revenue Recognition – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's revenue within the scope of ASC 606 principally consists of day home fees. The contract obligations related to these services are satisfied when the services are rendered.

Practical Expedients and Exemptions – There are several practical expedients and exemptions allowed under ASC 606 that impact timing of revenue recognition and disclosures. The one practical expedient the Organization applied in the application of ASC 606 allows the Organization to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

Revenues from non-exchange transactions (contributions and government grants) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 1—Nature of operations and summary of significant accounting policies (continued)

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that brings substantially all leases on the statements of financial position. This guidance is effective for the year ending June 30, 2023. The Organization is evaluating the impact this guidance may have on its consolidated financial statements.

Subsequent Events – The Organization evaluated subsequent events through September 15, 2022, when these consolidated financial statements were available to be issued.

Note 2—Liquidity and availability of financial resources

The Organization monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of childcare as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2022 and 2021, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the consolidated statement of financial position to meet those general expenditures:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 750,969	\$ 513,572
Grants, accounts, and contributions receivable	41,945	32,567
Investments	300,099	293,293
Investments - endowment	939,185	1,084,922
Less amounts not available to be used for general expenditure:		
Net assets with board designation	(914,185)	(1,059,922)
Net assets with donor restrictions	<u>(25,000)</u>	<u>(25,000)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 1,093,013</u>	<u>\$ 839,432</u>

Although the Organization does not intend to spend from the board-designated endowment (other than interest and dividends appropriated for general expenditure as part of the adopted investment policy), these amounts could be made available if necessary. As described in Note 7, the Organization also has a line of credit that is available for general operating needs.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 3—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, 2022 and 2021, the Organization received \$279,273 and \$606,196 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, 2022 and 2021, there was a subsidy receivable of \$13,972 and \$29,934, 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.

Note 4—Family Empowerment Program

The Organization entered into a Memorandum of Understanding (“MOU”) with the United Way of Metropolitan Nashville for the support of the Family Empowerment Program (“FEP”), a community based, Two-Generation Approach program in July 2018. United Way of Metropolitan Nashville is the grantee of record with the Tennessee Department of Human Services. The FEP includes an emphasis on education, economic supports, health and well-being, and social capital. The FEP aims to strengthen community planning and coordinating efforts, organize services to help families achieve economic security, and develop innovative approaches to attacking the causes and effects of poverty for low income families that are recipients of, or eligible for, public assistance. The MOU requires the Organization to provide office space for case managers, assist in the identification of families interested in Two-Generation services, assist in the planning and implementation of Family Engagement activities, and assist the case manager in collecting relevant student outcomes. The MOU allows for the Organization to be reimbursed for rent, event planning and management, professional fees, education and out-of-Organization support for families, and benefits extension to provide support to families for childcare assistance in the event an income or benefit change causes a lapse in their ability to pay childcare costs. For the years ended June 30, 2022 and 2021, the Organization received \$41,289 and \$36,204, respectively, in reimbursement for the FEP, which is included in the accompanying consolidated statement of activities in day home fees and contributions. The Organization signed a partnership agreement to continue the FEP through September 30, 2022.

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>2022</u>	<u>2021</u>
Equity funds	\$ 1,222,701	\$ 1,363,702
Cash equivalents	16,583	14,513
	<u>\$ 1,239,284</u>	<u>\$ 1,378,215</u>

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

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 44,719	\$ 38,372
Realized and unrealized (loss) gain, net	(182,768)	204,986
	<u>\$ (138,049)</u>	<u>\$ 243,358</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 40 years for buildings to 3 years for equipment. Expenditures for repairs and maintenance are charged to expense as incurred.

The Organization has an agreement with Premier Parking to lease out their parking lot after Organization hours. According to the terms of the agreement, Premier will pay the Organization \$3,000 each month or 75% of the net operating income, whichever is greater through October 2024. In April 2020, the agreement was amended due to the COVID-19 pandemic which heavily impacted the parking industry. Under this amendment, the Organization received 75% of gross parking revenues collected by Premier until such time the local government restrictions in response to COVID-19 were lifted. Facility rental revenue earned under this and other short-term agreements is included in revenues in the consolidated statements of activities.

Note 7—Financing arrangements

The Organization entered into an unsecured line of credit agreement with a bank which allows for borrowings up to a maximum of \$300,000. The arrangement initially matured in December 2019; however, it was extended through December 2021. In December 2021, this line of credit agreement was renewed under substantially the same terms through December 31, 2023. The arrangement bears interest at a variable rate with interest payments due monthly. No amounts were outstanding under the line of credit agreement at June 30, 2022 or 2021.

Note 8—CARES Act funding

In February 2022, the Organization was awarded \$418,963 under the American Rescue Plan Act childcare stabilization program related to the negative economic impacts caused by COVID-19. This award was based on the Organization's childcare center licensed capacity and staff headcount. The Organization determined it had met the requirements for the grant award at June 30, 2022 and, as such, this award is included in grants revenue in the consolidated statement of activities for the year ended June 30, 2022.

Note 9—Endowment fund

The Fannie Battle Day Home Endowment Fund, Inc. ("Endowment") was established effective May 16, 2001. The 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 the Endowment are consolidated with those of Fannie Battle Day Home for Children, Inc. in the accompanying consolidated financial statements, as Fannie Battle Day Home for Children, Inc. controls the 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. During the year ended June 30, 2020, the Endowment received a contribution of \$25,000 to be maintained in perpetuity. No similar gifts were received during the years ended June 30, 2022 or 2021.

The Board of Directors has interpreted UPMIFA as requiring that the Organization classify as donor-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 is classified as donor-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.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 9—Endowment fund (continued)

Endowment net asset composition by type of fund as of June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds	\$ 914,185	\$ 25,000	\$ 939,185

Changes in endowment net assets for the year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 1,059,922	\$ 25,000	\$ 1,084,922
Contributions	-	-	-
Appropriations of assets for expenditure	(28,063)	-	(28,063)
Investment return, net	(117,674)	-	(117,674)
Endowment net assets, end of year	<u>\$ 914,185</u>	<u>\$ 25,000</u>	<u>\$ 939,185</u>

Endowment net asset composition by type of fund as of June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds	<u>\$ 1,059,922</u>	<u>\$ 25,000</u>	<u>\$ 1,084,922</u>

Changes in endowment net assets for the year ended June 30, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 866,758	\$ 25,000	\$ 891,758
Contributions	-	-	-
Appropriations of assets for expenditure	(25,447)	-	(25,447)
Investment return, net	218,611	-	218,611
Endowment net assets, end of year	<u>\$ 1,059,922</u>	<u>\$ 25,000</u>	<u>\$ 1,084,922</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 9—Endowment fund (continued)

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. Generally, neither equities by themselves nor fixed income investments by themselves should exceed 80% 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.

Note 10—Restrictions on net assets

Net assets with donor restrictions are comprised of the following at June 30:

	<u>2022</u>	<u>2021</u>
Endowment contribution to be held in perpetuity	\$ 25,000	\$ 25,000

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

	<u>2022</u>	<u>2021</u>
Board-designated endowment fund	\$ 914,185	\$ 1,059,922

Note 11—Concentrations

At June 30, 2022 and 2021, bank account balances, including certificates of deposit and money market accounts held by brokerages, that were not covered by the Federal Deposit Insurance Corporation (“FDIC”) or the National Credit Union Association, totaled \$574,255 and \$278,949, respectively. The Organization has not experienced any losses of such funds and management believes the Organization is not exposed to significant credit risk related to cash.

At June 30, 2022 and 2021, investments were managed by one brokerage and investment company with account balances totaling \$1,239,284 and \$1,378,215. Investments in the accounts are invested in various stocks, bonds, and mutual funds. Investments are not insured by FDIC or any other government agency and are subject to investment risk, including loss of principal. Investments are insured by the Securities and Investor Protection Corporation, which covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Note 11—Concentrations (continued)

Approximately 33% and 92% of grants, accounts and contributions receivable at June 30, 2022 and 2021, respectively, were due from the Tennessee Department of Children Services.

During the years ended June 30, 2022 and 2021, the Tennessee Department of Children Services provided approximately 30% and 63%, respectively, of the Organization's day home fees revenue. Management does not anticipate changes in funding for the tuition in the foreseeable future.

Note 12—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 U.S. GAAP has not been satisfied.

Note 13—Related party transactions

The Organization enters into various transactions with companies and organizations owned by or affiliated with its Board of Directors members. Such transactions are generally consummated at terms typically found in arm's-length transactions.

Note 14—Commitments and contingencies

The Organization is periodically subject to legal actions which arise in the course of business. Management is unable to predict the ultimate outcome of such litigation but does not believe an ultimate liability with respect to such litigation will be material to the consolidated operating results or consolidated financial position of the Organization. As a result, no accrual for any liability is included in the consolidated financial statements.

SUPPLEMENTARY SCHEDULES

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

JUNE 30, 2022

	<u>Day Home</u>	<u>Endowment</u>	<u>Consolidated</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 750,969	\$ -	\$ 750,969
Investments	300,099	-	300,099
Grants, accounts, and contributions receivable	41,945	-	41,945
Prepaid expenses	5,810	-	5,810
Total Current Assets	<u>1,098,823</u>	<u>-</u>	<u>1,098,823</u>
Property and Equipment:			
Land	178,000	-	178,000
Buildings	1,741,131	-	1,741,131
Equipment	216,904	-	216,904
Playground	124,997	-	124,997
Bus	59,630	-	59,630
	<u>2,320,662</u>	<u>-</u>	<u>2,320,662</u>
Less accumulated depreciation	<u>(698,619)</u>	<u>-</u>	<u>(698,619)</u>
Property and Equipment, net	<u>1,622,043</u>	<u>-</u>	<u>1,622,043</u>
Investments - endowment	<u>-</u>	<u>939,185</u>	<u>939,185</u>
Total Assets	<u><u>\$ 2,720,866</u></u>	<u><u>\$ 939,185</u></u>	<u><u>\$ 3,660,051</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 6,139	\$ -	\$ 6,139
Accrued expenses	14,933	-	14,933
Total Current Liabilities	<u>21,072</u>	<u>-</u>	<u>21,072</u>
Net Assets:			
Board designated	-	914,185	914,185
Undesignated	2,699,794	-	2,699,794
Total Without Donor Restrictions	<u>2,699,794</u>	<u>914,185</u>	<u>3,613,979</u>
With donor restrictions	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total Net Assets	<u>2,699,794</u>	<u>939,185</u>	<u>3,638,979</u>
Total Liabilities and Net Assets	<u><u>\$ 2,720,866</u></u>	<u><u>\$ 939,185</u></u>	<u><u>\$ 3,660,051</u></u>

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

JUNE 30, 2021

	<u>Day Home</u>	<u>Endowment</u>	<u>Consolidated</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 513,572	\$ -	\$ 513,572
Investments	293,293	-	293,293
Grants, accounts, and contributions receivable	32,567	-	32,567
Prepaid expenses	5,001	-	5,001
Total Current Assets	<u>844,433</u>	<u>-</u>	<u>844,433</u>
Property and Equipment:			
Land	178,000	-	178,000
Buildings	1,681,990	-	1,681,990
Equipment	206,972	-	206,972
Playground	124,997	-	124,997
Bus	59,630	-	59,630
	<u>2,251,589</u>	<u>-</u>	<u>2,251,589</u>
Less accumulated depreciation	<u>(625,309)</u>	<u>-</u>	<u>(625,309)</u>
Property and Equipment, net	<u>1,626,280</u>	<u>-</u>	<u>1,626,280</u>
Investments - endowment	<u>-</u>	<u>1,084,922</u>	<u>1,084,922</u>
Total Assets	<u>\$ 2,470,713</u>	<u>\$ 1,084,922</u>	<u>\$ 3,555,635</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 24,822	\$ -	\$ 24,822
Accrued expenses	11,481	-	11,481
Deferred revenue	24,292	-	24,292
Total Current Liabilities	<u>60,595</u>	<u>-</u>	<u>60,595</u>
Net Assets:			
Board designated	-	1,059,922	1,059,922
Undesignated	2,410,118	-	2,410,118
Total Without Donor Restrictions	<u>2,410,118</u>	<u>1,059,922</u>	<u>3,470,040</u>
With donor restrictions	<u>-</u>	<u>25,000</u>	<u>25,000</u>
Total Net Assets	<u>2,410,118</u>	<u>1,084,922</u>	<u>3,495,040</u>
Total Liabilities and Net Assets	<u>\$ 2,470,713</u>	<u>\$ 1,084,922</u>	<u>\$ 3,555,635</u>

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

YEAR ENDED JUNE 30, 2022

	<u>Day Home</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 336,829	\$ -	\$ -	\$ 336,829
Membership fundraising activities	225,200	-	-	225,200
Grants	418,963	-	-	418,963
Total Public Support	<u>980,992</u>	<u>-</u>	<u>-</u>	<u>980,992</u>
Revenues:				
Day home fees	800,735	-	-	800,735
DHS food subsidies	40,599	-	-	40,599
Facility revenue	13,134	-	-	13,134
Investment return, net	7,688	(117,674)	(28,063)	(138,049)
Total Revenues	<u>862,156</u>	<u>(117,674)</u>	<u>(28,063)</u>	<u>716,419</u>
Total Public Support and Revenues	<u>1,843,148</u>	<u>(117,674)</u>	<u>(28,063)</u>	<u>1,697,411</u>
Expenses:				
Contributions to day home	-	28,063	(28,063)	-
Program services	1,272,445	-	-	1,272,445
Supporting services	281,027	-	-	281,027
Total Expenses	<u>1,553,472</u>	<u>28,063</u>	<u>(28,063)</u>	<u>1,553,472</u>
Change in net assets	<u>\$ 289,676</u>	<u>\$ (145,737)</u>	<u>\$ -</u>	<u>\$ 143,939</u>

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

YEAR ENDED JUNE 30, 2021

	<u>Day Home</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 424,173	\$ -	\$ -	\$ 424,173
Membership fundraising activities	216,637	-	-	216,637
Total Public Support	<u>640,810</u>	<u>-</u>	<u>-</u>	<u>640,810</u>
Revenues:				
Day home fees	793,312	-	-	793,312
DHS food subsidies	60,501	-	-	60,501
Facility revenue	3,967	-	-	3,967
Investment return, net	50,194	218,611	(25,447)	243,358
Total Revenues	<u>907,974</u>	<u>218,611</u>	<u>(25,447)</u>	<u>1,101,138</u>
Total Public Support and Revenues	<u>1,548,784</u>	<u>218,611</u>	<u>(25,447)</u>	<u>1,741,948</u>
Expenses:				
Contributions to day home	-	25,447	(25,447)	-
Program services	1,199,085	-	-	1,199,085
Supporting services	223,708	-	-	223,708
Total Expenses	<u>1,422,793</u>	<u>25,447</u>	<u>(25,447)</u>	<u>1,422,793</u>
Change in net assets	<u>\$ 125,991</u>	<u>\$ 193,164</u>	<u>\$ -</u>	<u>\$ 319,155</u>