

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

**FINANCIAL STATEMENTS
& INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2023 and 2022

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

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MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying consolidated financial statements of Fannie Battle Day Home for Children, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statement of activities and changes in net assets, functional expenses, and cash flows for the year 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 consolidated financial position of Fannie Battle Day Home for Children, Inc. and Affiliate as of June 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audit 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 Consolidated Financial Statements section of our report. We are required to be independent of Fannie Battle Day Home for Children, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Fannie Battle Day Home for Children, Inc. and Affiliate as of June 30, 2022 were audited by other auditors whose report dated September 15, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Consolidated 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 Fannie Battle Day Home for Children, Inc. and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated 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 Fannie Battle Day Home for Children, Inc. and Affiliate'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 Fannie Battle Day Home for Children, Inc. and Affiliate'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 Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 20 and 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and activities and changes in net assets of the individual organizations and is not a required part of the consolidated 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 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.

Mullins Clemmons & Mayes, PLLC

Brentwood, Tennessee

November 10, 2023

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,368,455	\$ 767,552
Investments	1,271,277	1,222,701
Accounts receivable	29,119	15,909
Grants receivable	-	26,036
Prepaid expenses	7,570	5,810
Operating lease, right-of-use assets	10,051	-
Property and equipment, net	<u>1,744,098</u>	<u>1,622,043</u>
 TOTAL ASSETS	 <u><u>\$ 4,430,570</u></u>	 <u><u>\$ 3,660,051</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ 18,552	\$ 6,139
Accrued expenses	20,573	14,933
Unrelated business income tax liability	2,929	-
Operating lease liability	<u>10,051</u>	<u>-</u>
Total liabilities	<u>52,105</u>	<u>21,072</u>
 NET ASSETS		
Without donor restrictions		
Board designated	923,662	914,185
Undesignated	<u>3,319,060</u>	<u>2,699,794</u>
Total without donor restrictions	4,242,722	3,613,979
With donor restrictions	<u>135,743</u>	<u>25,000</u>
Total net assets	<u>4,378,465</u>	<u>3,638,979</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 4,430,570</u></u>	 <u><u>\$ 3,660,051</u></u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 415,099	\$ 290,000	\$ 705,099
Fundraising activities	207,296	-	207,296
Grants	423,963	-	423,963
Day home fees and subsidies	920,267	-	920,267
Other income	81,337	-	81,337
Facility revenue	14,947	-	14,947
Total	2,062,909	290,000	2,352,909
Net assets released from restrictions	179,257	(179,257)	-
Total support and revenues	2,242,166	110,743	2,352,909
 NET INVESTMENT RETURN	 58,036	 -	 58,036
 EXPENSES			
Program services	1,412,525	-	1,412,525
Management and general	148,098	-	148,098
Fundraising	110,836	-	110,836
Total expenses	1,671,459	-	1,671,459
 CHANGE IN NET ASSETS	 628,743	 110,743	 739,486
 NET ASSETS			
Beginning of year	3,613,979	25,000	3,638,979
 End of year	 \$ 4,242,722	 \$ 135,743	 \$ 4,378,465

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Contributions	\$ 336,829	\$ -	\$ 336,829
Membership fundraising activities	225,200	-	225,200
Grants	418,963	-	418,963
Day home fees and subsidies	841,334	-	841,334
Facility revenue	13,134	-	13,134
Total	1,835,460	-	1,835,460
Net assets released from restrictions	-	-	-
Total support and revenues	1,835,460	-	1,835,460
 NET INVESTMENT RETURN	 (138,049)	 -	 (138,049)
 EXPENSES			
Program services	1,272,445	-	1,272,445
Management and general	199,783	-	199,783
Fundraising	81,244	-	81,244
Total expenses	1,553,472	-	1,553,472
 CHANGE IN NET ASSETS	 143,939	 -	 143,939
 NET ASSETS			
Beginning of year	3,470,040	25,000	3,495,040
 End of year	 \$ 3,613,979	 \$ 25,000	 \$ 3,638,979

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 739,486	\$ 143,939
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	75,149	73,310
Net realized and unrealized (gains) losses on investments	(18,192)	182,768
Net changes in operating assets and liabilities:		
Accounts and grants receivable	12,826	(9,378)
Prepaid expenses and other assets	(1,760)	(809)
Accounts payable	12,413	(18,683)
Accrued expenses	5,640	3,452
Unrelated business income tax	2,929	(24,292)
Net cash provided by operating activities	<u>828,491</u>	<u>350,307</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(197,204)	(69,073)
Purchases of investments	(253,463)	(383,009)
Proceeds from sale of investments	223,079	355,755
Net cash used in investing activities	<u>(227,588)</u>	<u>(96,327)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	600,903	253,980
CASH AND CASH EQUIVALENTS, BEGINNING	<u>767,552</u>	<u>513,572</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,368,455</u>	<u>\$ 767,552</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	Program Services	Supporting Services		Total
	Day Home	Management and General	Fundraising	
Salaries, taxes and benefits	\$ 993,234	\$ 34,434	\$ 52,664	\$ 1,080,332
Repairs and maintenance	99,318	1,358	1,309	101,985
Groceries	101,444	-	-	101,444
Legal and professional fees	-	34,080	-	34,080
Advertising and other fundraising	-	-	53,725	53,725
Utilities	32,577	1,674	1,614	35,865
Insurance	35,809	2,286	-	38,095
Printing and technology	4,498	15,696	-	20,194
Children's enrichment	21,270	-	-	21,270
Credit card fees	-	27,175	-	27,175
Office supplies and expenses	-	11,302	-	11,302
Teacher and family education	14,323	-	-	14,323
Classroom expenses	15,855	-	-	15,855
Auto expense	4,082	-	-	4,082
Permits and memberships	-	18,513	-	18,513
Miscellaneous	11,192	-	-	11,192
Total expenses before depreciation	1,333,602	146,518	109,312	1,589,432
Depreciation	72,045	1,580	1,524	75,149
Unrelated business income tax	6,878	-	-	6,878
Total expenses	<u>\$ 1,412,525</u>	<u>\$ 148,098</u>	<u>\$ 110,836</u>	<u>\$ 1,671,459</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Supporting Services		Total
	Day Home	Management and General	Fundraising	
Salaries, taxes and benefits	\$ 890,481	\$ 77,227	\$ 48,384	\$ 1,016,092
Repairs and maintenance	130,456	-	-	130,456
Groceries	67,387	-	-	67,387
Legal and professional fees	-	54,597	-	54,597
Advertising and other fundraising	-	-	32,860	32,860
Utilities	32,849	-	-	32,849
Insurance	28,930	1,843	-	30,773
Printing and technology	-	27,443	-	27,443
Children's enrichment	26,855	-	-	26,855
Credit card fees	-	22,684	-	22,684
Office supplies and expenses	-	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
Miscellaneous	727	-	-	727
Total expenses before depreciation	1,199,135	199,783	81,244	1,480,162
Depreciation	73,310	-	-	73,310
Total expenses	<u>\$ 1,272,445</u>	<u>\$ 199,783</u>	<u>\$ 81,244</u>	<u>\$ 1,553,472</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

NOTE 1 – REPORTING ENTITY AND NATURE OF ACTIVITIES

Fannie Battle Day Home for Children, Inc. ("Day Home") and Fannie Battle Day Home Endowment Fund, Inc. ("Endowment") have been consolidated for financial reporting purposes and are collectively referred to as the "Organization" in these notes.

The Day Home 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.

The Endowment was established effective May 16, 2001, 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 Organization's support comes from individual and corporate donations, private grants, and fees charged for providing childcare services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Day Home and the Endowment. The financial statements are consolidated since the Day Home has both an economic interest in the Endowment and control through the Endowment's Board. All significant intercompany transactions and accounts have been eliminated in consolidation.

Accounting Periods

All references to 2023 and 2022 in these consolidated financial statements refer to the years ended June 30, 2023 and 2022, respectively, unless otherwise noted.

Basis of Accounting

The financial records of the Organization are maintained on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – This class includes net assets that are not subject to any donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization management and the Board of Directors.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Net assets with donor restrictions – This class includes net assets whose use by the Organization is subject to donor-imposed restrictions. Some donor restrictions are temporary in nature; those restrictions will be fulfilled by actions of the Organization pursuant to those restrictions or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Donor restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

See Note 9 for further details related to net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash funds, cash bank accounts, and all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Organization may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses, whether realized or unrealized, are included in the statements of activities and changes in net assets.

The Organization utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position. See Note 5 for further details related to investments.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable consist of receivables from parents, guardians, and governmental agencies for childcare fees and subsidies and from governmental agencies for grants earned. The Organization uses the allowance method to determine any uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts receivable. At June 30, 2023 and 2022, management believes that all accounts receivable are fully collectible. Therefore, no allowance was deemed necessary.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Property and Equipment

Property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred; major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenue or expense. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from three to forty years. Depreciation expense totaled \$75,149 and \$73,310 for the years ended June 30, 2023 and 2022, respectively. See Note 6 for further details related to property and equipment.

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; and ASU 2019-01, *Leases (Topic 842): Codification Improvements*. The most significant change in the new leasing guidance is the requirement to recognize right-of-use ("ROU") assets and lease liabilities for operating leases on the balance sheet.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Company assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. The Company allocates the right to use the asset as lease components. Non-lease components, such as monthly service and maintenance charges, are charged to expense as incurred.

Operating lease ROU assets represent the Company's right to use the underlying assets for the lease term, and operating lease liabilities represent the Company's obligation to make lease payments.

Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, using the risk-free interest rate at lease commencement. The ROU assets are amortized on the straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet. Lease expense is recognized for these short-term leases on a straight-line basis over the lease term. See Note 7 for further details related to leases.

Revenue Recognition

The Organization provides a year-round program, five days per week for preschool aged children to children in the Nashville, Tennessee area. Child care fees are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. The Organization charges a daily rate for childcare. The amounts are due from parents and others on a weekly or monthly basis. Revenue is recognized as performance obligations are satisfied, which is typically daily. The Organization has determined revenue related to childcare should be recognized at a point in time, which is the close of each business day when services have been rendered for the day. At the close of each business day, there are no remaining performance obligations.

Income Taxes

As mentioned in Note 1, the Organization is a tax-exempt organization; accordingly, no provision for income taxes is included in the accompanying consolidated financial statements.

The Organization files an annual information return (Form 990) with the U.S. government. At June 30, 2023, the Organization is no longer subject to U.S. tax examinations of these information returns by tax authorities for years before 2020.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials and Services

Donated materials are recognized as contributions at their estimated fair values at date of receipt. Donated services are recognized, at fair value, if they create or enhance nonfinancial assets or require specialized skills and would be purchased by the Organization if not contributed. Donated services are recognized as contributions and expenses at their estimated fair values at date of receipt.

The Organization received donated services from unpaid volunteers which did not meet the criteria for recognition under generally accepted accounting principles.

Functional Allocation of Expenses

Expenses directly related to a function are charged to that function. Expenses that are related 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.

Advertising Costs

The cost of advertising, communications and marketing expenditures is expensed when incurred. Advertising, communications and marketing expenditures totaled \$53,725 and \$32,859 for the years ended June 30, 2023 and 2022, respectively.

Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between June 30, 2023 and November 10, 2023, which is the date that the consolidated financial statements were available to be issued, for possible recognition or disclosure in the consolidated financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

NOTE 3 – LIQUIDITY

Financial assets available for general expenditures within one year of June 30, 2023 and 2022, consist of the following:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 1,368,455	\$ 767,552
Accounts receivable	29,119	15,909
Grants receivable	-	26,036
Investments in marketable securities	322,615	283,516
Investments - endowment	<u>948,662</u>	<u>939,185</u>
Total Financial Assets	2,668,851	2,032,198
Less amounts not available to be used within one year:		
Net assets with board designation	(923,662)	(914,185)
Net assets with donor restrictions	<u>(25,000)</u>	<u>(25,000)</u>
Financial assets not available to be used within one year	<u>(948,662)</u>	<u>(939,185)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,720,189</u>	<u>\$ 1,093,013</u>

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 8, the Organization also has a line of credit that is available for general operating needs.

NOTE 4 – DHS SUBSIDIES

The Organization receives monthly subsidies under the Department of Human Services ("DHS") Food Nutrition and Child Assistance Programs. For the years ended June 30, 2023 and 2022, the Organization received \$350,561 and \$279,273 in subsidies, respectively, which are included in the accompanying consolidated statements of activities in day home fees and subsidies. At June 30, 2023 and 2022, there was a subsidy receivable of \$25,351 and 13,972, respectively.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

NOTE 5 – INVESTMENTS

Generally accepted accounting principles have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Following are the fair values of investments according to the fair value hierarchy at June 30, 2023 and 2022:

	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
At June 30, 2023:		
Corporate debt securities and bond funds	\$ 9,958	\$ 9,958
Mutual funds	527,285	527,285
Equity securities - common stocks	579,154	579,154
Certificate of deposits	154,880	154,880
Total	<u>\$ 1,271,277</u>	<u>\$ 1,271,277</u>
At June 30, 2022:		
Mutual funds	\$ 688,135	\$ 688,135
Equity securities - common stocks	534,566	534,566
Total	<u>\$ 1,222,701</u>	<u>\$ 1,222,701</u>

Level 1 Fair Value Measurements - The fair values of the mutual funds, stocks, debt securities and bond funds are based on quoted market prices in active markets.

Following are the details of the net investment return for 2023 and 2022:

	2023	2022
Interest and dividend income	\$ 45,869	\$ 44,719
Net realized and unrealized gain (loss)	18,192	(178,645)
Investment fees	(6,025)	(4,123)
Total investment return	<u>\$ 58,036</u>	<u>\$ (138,049)</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following, as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 178,000	\$ 178,000
Buildings	1,921,264	1,741,131
Equipment	228,975	216,904
Playground	129,997	124,997
Bus	59,630	59,630
Total cost	<u>2,517,866</u>	<u>2,320,662</u>
Less accumulated depreciation	<u>(773,768)</u>	<u>(698,619)</u>
Net property and equipment	<u>\$ 1,744,098</u>	<u>\$ 1,622,043</u>

NOTE 7 – LEASES

In 2023, the Organization entered into a lease for a copier. The lease agreement requires monthly lease payments of \$360 and has a term of 37 months with no renewal option. The lease asset and liability were calculated utilizing the risk-free rate. Additional information about the Organization's leases as of June 30, 2023 is as follows:

<u>Lease costs (included in operating expenses):</u>	
Operating lease costs	\$ 2,877
<u>Other Information</u>	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 2,877
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 12,637
Weighted-average remaining lease term	2.34 years
Weighted-average discount rate	2.98%

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 7 – LEASES (CONTINUED)

Future maturities of operating lease liabilities as of June 30, 2023 are as follows:

Year Ending June 30,	Operating Lease Liability
2024	\$ 4,316
2025	4,316
2026	1,798
Total lease payments	10,430
Less amounts representing interest	(379)
Operating lease liabilities	10,051
Current portion	(4,072)
Long-term portion	<u>\$ 5,979</u>

The Organization has an agreement with Premier Parking to lease out their parking lot after Organization hours. According to the amended terms of agreement, Premier will pay the Organization 75% of gross parking revenues collected by Premier until their pre-COVID-19 revenues are met. Once met, Premier will pay the Organization \$3,000 each month or 75% of the net operating income, whichever is greater, through October 2024.

NOTE 8 – LINE OF CREDIT

The Organization has a revolving line of credit agreement with a bank which allows for maximum borrowings up to \$300,000. Interest is payable monthly at the prime rate. The line of credit agreement expires on December 31, 2023, at which time all outstanding principal and accrued interest is payable. There were no outstanding advances under this line of credit at June 30, 2023 and 2022.

NOTE 9 – NET ASSETS

The State of Tennessee has passed the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Organization has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit restrictions to the contrary. The Organization classifies as permanently restricted net assets the sum of (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. At the current time, none of the endowment funds have donor-imposed instructions that specify accumulations, as noted in item (c) of the preceding sentence.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

NOTE 9 – NET ASSETS (CONTINUED)

Donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) General economic conditions;
- (2) The possible effect of inflation and deflation;
- (3) The expected tax consequences, if any, of investment decisions or strategies;
- (4) The role that each investment or course of action plays within the overall investment portfolio;
- (5) The expected total return from income and appreciation of investments;
- (6) Other resources of the Organization;
- (7) The needs of the Organization and the endowment funds to make distributions and to preserve capital; and
- (8) An asset's special relationship or special value, if any, to the charitable purposes of the Organization.

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 endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as any entity-designated funds.

To satisfy its long-term return objectives, the Organization relies on a total return strategy in which the investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Endowment net assets consist of the following at June 30, 2023 and 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
As of June 30, 2023			
Endowment funds	\$ 923,662	\$ 25,000	\$ 948,662
As of June 30 2022			
Endowment funds	\$ 914,185	\$ 25,000	\$ 939,185

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

NOTE 9 – NET ASSETS (CONTINUED)

Changes in endowment net assets as of June 30, 2023 and 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	\$ 1,059,922	\$ 25,000	\$ 1,084,922
Investment return, net	(117,674)	-	(117,674)
Appropriation of endowment assets for expenditure	(28,063)	-	(28,063)
Endowment net assets, June 30, 2022	\$ 914,185	\$ 25,000	\$ 939,185
Investment return, net	39,262	-	39,262
Appropriation of endowment assets for expenditure	(29,785)	-	(29,785)
Endowment net assets, June 30, 2023	<u>\$ 923,662</u>	<u>\$ 25,000</u>	<u>\$ 948,662</u>

Net assets with donor restrictions were available for the following purposes at June 30, 2023 and 2022:

	2023	2022
For specific purposes:		
Capital improvements	\$ 110,743	\$ -
Endowment to be held in perpetuity	25,000	25,000
Total donor restricted net assets	<u>\$ 135,743</u>	<u>\$ 25,000</u>

The release of net assets with donor restrictions was related to the incurrence of various expenses that satisfied the respective donor restrictions.

NOTE 10 – CONCENTRATIONS

See Note 5 for a description of the risks associated with the Organization's investments in marketable securities.

The Organization relies heavily on donations and grants to fund its operations. The loss of these funds would have a significant impact on the operations of the Organization.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Grant expenditures are subject to review and audit by the grantors in the normal course of operations. Any reviews and audits could result in disallowance of expenditures, and therefore, a return of grant funds to the grantor. Management believes that no unallowable expenditures have been incurred under any of its grants. Accordingly, no provision has been made for any potential return of funds to any of its grantors.

SUPPLEMENTARY INFORMATION

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

	Fannie Battle Day Home for Children, Inc.	Fannie Battle Day Home Endowment Fund, Inc.	Consolidating Entries	Consolidated Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,360,190	\$ 8,265	\$ -	\$ 1,368,455
Investments	330,880	940,397	-	1,271,277
Accounts receivable	29,119	-	-	29,119
Prepaid expenses	7,570	-	-	7,570
Operating lease, right-of-use assets	10,051	-	-	10,051
Property and equipment, net	1,744,098	-	-	1,744,098
TOTAL ASSETS	\$ 3,481,908	\$ 948,662	\$ -	\$ 4,430,570
<u>LIABILITIES AND NET ASSETS</u>				
Accounts payable	\$ 18,552	\$ -	\$ -	\$ 18,552
Accrued expenses	20,573	-	-	20,573
Unrelated business income tax liability	2,929	-	-	2,929
Operating lease, right-of-use liability	10,051	-	-	10,051
Total liabilities	52,105	-	-	52,105
<u>NET ASSETS</u>				
Without Donor Restrictions				
Board designated	-	923,662	-	923,662
Undesignated	3,319,060	-	-	3,319,060
Total without donor restrictions	3,319,060	923,662	-	4,242,722
With donor restrictions	110,743	25,000	-	135,743
Total net assets	3,429,803	948,662	-	4,378,465
TOTAL LIABILITIES AND NET ASSETS	\$ 3,481,908	\$ 948,662	\$ -	\$ 4,430,570

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023**

	Fannie Battle Day Home for Children, Inc.	Fannie Battle Day Home Endowment Fund, Inc.	Consolidating Entries	Consolidated Total
SUPPORT AND REVENUES				
Contributions	\$ 734,884	\$ -	\$ (29,785)	\$ 705,099
Fundraising activities	207,296	-	-	207,296
Grants	423,963	-	-	423,963
Day home fees and subsidies	920,267	-	-	920,267
Other income	81,337	-	-	81,337
Facility revenue	14,947	-	-	14,947
Total support and revenues	2,382,694	-	(29,785)	2,352,909
NET INVESTMENT RETURN	18,774	39,262	-	58,036
EXPENSES				
Salaries, taxes and benefits	1,080,332	-	-	1,080,332
Repairs and maintenance	101,985	-	-	101,985
Groceries	101,444	-	-	101,444
Legal and professional fees	50,880	-	-	50,880
Advertising and other fundraising	53,725	-	-	53,725
Utilities	35,865	-	-	35,865
Insurance	38,095	-	-	38,095
Printing and technology	20,194	-	-	20,194
Children's enrichment	21,270	-	-	21,270
Credit card fees	27,175	-	-	27,175
Office supplies and expenses	11,302	-	-	11,302
Teacher and family education	14,323	-	-	14,323
Classroom expenses	15,855	-	-	15,855
Auto expense	4,082	-	-	4,082
Permits and memberships	1,713	-	-	1,713
Miscellaneous	11,192	-	-	11,192
Grants	-	29,785	(29,785)	-
Depreciation	75,149	-	-	75,149
Unrelated business income tax	6,878	-	-	6,878
Total expenses	1,671,459	29,785	(29,785)	1,671,459
CHANGE IN NET ASSETS	730,009	9,477	-	739,486
NET ASSETS				
Beginning of year	2,699,794	939,185	-	3,638,979
End of year	\$ 3,429,803	\$ 948,662	\$ -	\$ 4,378,465