

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

As of and for the Years Ended June 30, 2019 and 2018

And Report of Independent Auditor

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Report of Independent Auditor

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

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 statements of financial position as of June 30, 2019 and 2018, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2019 and 2018, 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.

Changes in Financial Statement Presentation

As discussed in Note 1, Fannie Battle Day Home for Children, Inc. and Affiliate adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of Fannie Battle Day Home for Children, Inc. and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fannie Battle Day Home for Children, Inc. and Affiliate's internal control over financial reporting and compliance.



Nashville, Tennessee
October 28, 2019

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

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 201,466	\$ 126,553
Investments	144,383	110,634
Grants, accounts, and contributions receivable	48,234	62,239
Prepaid expenses	5,936	3,767
Total Current Assets	<u>400,019</u>	<u>303,193</u>
Property and Equipment:		
Land	178,000	178,000
Buildings	1,599,295	1,599,295
Equipment	189,423	178,881
Playground	122,397	120,110
Automobile	59,630	59,630
	<u>2,148,745</u>	<u>2,135,916</u>
Less accumulated depreciation	(479,625)	(410,507)
Property and Equipment, net	<u>1,669,120</u>	<u>1,725,409</u>
Investments designated for endowment	<u>911,185</u>	<u>871,545</u>
Total Assets	<u><u>\$ 2,980,324</u></u>	<u><u>\$ 2,900,147</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 16,682	\$ 5,620
Accrued expenses	36,933	35,548
Note payable, current portion	9,585	9,120
Total Current Liabilities	<u>63,200</u>	<u>50,288</u>
Noncurrent Liabilities:		
Note payable, net of current portion	<u>35,463</u>	<u>44,819</u>
Total Liabilities	<u>98,663</u>	<u>95,107</u>
Net Assets:		
Board designated	911,185	871,545
Undesignated	<u>1,970,476</u>	<u>1,907,591</u>
Total Without Donor Restrictions	2,881,661	2,779,136
With donor restrictions	<u>-</u>	<u>25,904</u>
Total Net Assets	<u>2,881,661</u>	<u>2,805,040</u>
Total Liabilities and Net Assets	<u><u>\$ 2,980,324</u></u>	<u><u>\$ 2,900,147</u></u>

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

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Public Support:			
Contributions	\$ 435,424	\$ -	\$ 435,424
Membership fundraising activities	227,513	-	227,513
Total Public Support	<u>662,937</u>	<u>-</u>	<u>662,937</u>
Revenues:			
Day home fees	642,551	-	642,551
DHS food subsidies	70,944	-	70,944
Investment return, net	74,287	-	74,287
Facility revenue	17,726	-	17,726
Total Revenues	<u>805,508</u>	<u>-</u>	<u>805,508</u>
Net assets released from restrictions	<u>25,904</u>	<u>(25,904)</u>	<u>-</u>
Total Public Support and Revenues	<u>1,494,349</u>	<u>(25,904)</u>	<u>1,468,445</u>
Expenses:			
Program services	1,122,937	-	1,122,937
Supporting services	268,887	-	268,887
Total Expenses	<u>1,391,824</u>	<u>-</u>	<u>1,391,824</u>
Change in net assets	102,525	(25,904)	76,621
Net assets, beginning of year	<u>2,779,136</u>	<u>25,904</u>	<u>2,805,040</u>
Net assets, end of year	<u>\$ 2,881,661</u>	<u>\$ -</u>	<u>\$ 2,881,661</u>

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

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

YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Public Support:			
Contributions	\$ 481,347	\$ 25,904	\$ 507,251
Membership fundraising activities	217,663	-	217,663
Capital campaign contributions	50,000	-	50,000
Total Public Support	749,010	25,904	774,914
Revenues:			
Day home fees	573,185	-	573,185
DHS food subsidies	64,436	-	64,436
Investment return, net	47,404	-	47,404
Grants	30,600	-	30,600
Facility revenue	25,542	-	25,542
Total Revenues	741,167	-	741,167
Net assets released from restrictions	4,310	(4,310)	-
Total Public Support and Revenues	1,494,487	21,594	1,516,081
Expenses:			
Program services	1,120,336	-	1,120,336
Supporting services	243,863	-	243,863
Total Expenses	1,364,199	-	1,364,199
Change in net assets	130,288	21,594	151,882
Net assets, beginning of year	2,648,848	4,310	2,653,158
Net assets, end of year	\$ 2,779,136	\$ 25,904	\$ 2,805,040

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

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

YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 705,532	\$ 71,365	\$ 61,036	\$ 132,401	\$ 837,933
Repairs and maintenance	83,647	-	-	-	83,647
Payroll taxes	52,374	5,298	4,531	9,829	62,203
Groceries	66,463	-	-	-	66,463
Advertising and other fundraising	-	31,902	-	31,902	31,902
Utilities	38,606	-	-	-	38,606
Insurance	28,637	-	1,843	1,843	30,480
Children's enrichment	20,761	-	-	-	20,761
Legal and professional fees	-	-	23,705	23,705	23,705
Credit card fees	-	-	15,889	15,889	15,889
Printing and technology	-	-	33,391	33,391	33,391
Miscellaneous	2,170	-	-	-	2,170
Office supplies and expenses	-	-	10,557	10,557	10,557
Classroom expenses	16,553	-	-	-	16,553
Employee benefits	18,082	1,829	1,564	3,393	21,475
Teacher and family education	16,600	-	-	-	16,600
Auto expense	1,996	-	-	-	1,996
Permits and memberships	-	-	5,977	5,977	5,977
Interest	2,398	-	-	-	2,398
	<u>1,053,819</u>	<u>110,394</u>	<u>158,493</u>	<u>268,887</u>	<u>1,322,706</u>
Depreciation	69,118	-	-	-	69,118
	<u>\$ 1,122,937</u>	<u>\$ 110,394</u>	<u>\$ 158,493</u>	<u>\$ 268,887</u>	<u>\$ 1,391,824</u>

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

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

YEAR ENDED JUNE 30, 2018

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 715,003	\$ 64,916	\$ 49,101	\$ 114,017	\$ 829,020
Repairs and maintenance (including in-kind of \$20,000)	87,213	-	-	-	87,213
Payroll taxes	54,334	4,933	3,732	8,665	62,999
Groceries	61,102	-	-	-	61,102
Advertising and other fundraising (including in-kind of \$30,000)	-	55,398	-	55,398	55,398
Utilities	38,582	-	-	-	38,582
Insurance	30,881	-	1,843	1,843	32,724
Children's enrichment	31,966	-	-	-	31,966
Legal and professional fees	-	-	23,230	23,230	23,230
Credit card fees	-	-	14,413	14,413	14,413
Printing and technology	-	-	13,340	13,340	13,340
Miscellaneous	10,340	-	-	-	10,340
Office supplies and expenses	-	-	10,298	10,298	10,298
Classroom expenses	7,467	-	-	-	7,467
Employee benefits	6,372	579	438	1,017	7,389
Teacher and family education	6,753	-	-	-	6,753
Auto expense	5,263	-	-	-	5,263
Permits and memberships	-	-	1,642	1,642	1,642
Interest	1,079	-	-	-	1,079
	1,056,355	125,826	118,037	243,863	1,300,218
Depreciation	63,981	-	-	-	63,981
	<u>\$ 1,120,336</u>	<u>\$ 125,826</u>	<u>\$ 118,037</u>	<u>\$ 243,863</u>	<u>\$ 1,364,199</u>

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

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

YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 76,621	\$ 151,882
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	69,118	63,981
Realized and unrealized gain on investments, net	(46,507)	(23,912)
Changes in operating assets and liabilities:		
Grants, accounts, and contributions receivable	14,005	5,983
Prepaid expenses	(2,169)	2,458
Accounts payable	11,062	(5,891)
Accrued expenses	1,385	2,246
Net cash provided by operating activities	<u>123,515</u>	<u>196,747</u>
Cash flows from investing activities:		
Proceeds from sale of investments	125,365	121,320
Purchase of investments	(152,247)	(144,119)
Purchase of property and equipment	(12,829)	(203,350)
Net cash used in investing activities	<u>(39,711)</u>	<u>(226,149)</u>
Cash flows from financing activities:		
Principal payments on note payable	(8,891)	(6,061)
Proceeds from issuance of note payable	-	48,000
Net cash (used in) provided by financing activities	<u>(8,891)</u>	<u>41,939</u>
Net increase in cash and cash equivalents	74,913	12,537
Cash and cash equivalents, beginning of year	126,553	114,016
Cash and cash equivalents, end of year	<u>\$ 201,466</u>	<u>\$ 126,553</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 2,398</u>	<u>\$ 1,079</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 that maintains and operates a day home for the instruction and care of children of working parents and/or parents pursuing an education.

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 designated by donors for specific purposes, and include unconditional pledges.

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.

Promises to Give – 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. Donor-restricted contributions are reported as increases in net assets with donor restrictions. Restrictions may be temporary or perpetual in nature. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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.

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 that 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.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

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. Certificates of deposit are reported at cost which approximates fair value. No changes in the valuation methodologies have been made during the year ended June 30, 2019.

Receivables – Accounts and contributions receivable are expected to be received within the coming fiscal year. Accounts and contributions receivable are reviewed periodically as to their collectability. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2019 and 2018.

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.

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") guidance concerning the accounting for income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Organization does not believe there are any uncertain tax positions at June 30, 2019 and 2018. Additionally, the Organization has not recognized any tax related interest and penalties 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. The FASB 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.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

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.

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.

Subsequent Events – The Organization evaluated subsequent events through October 28, 2019, when these financial statements were available to be issued. Other than as described below, the Organization is not aware of any significant events that occurred subsequent to the consolidated statement of financial position date but prior to the filing of this report that would have a material impact on the consolidated financial statements. In July 2019, The Organization received a contribution of \$100,000 to help support capital improvements of the day home. These funds will be expended in the year ended June 30, 2020.

Change in Accounting Principle – In August 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Not for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This standard changes presentation and disclosure requirements of not-for-profit entities. The primary changes are a decrease in the number of net asset classes from three to two, reporting of the underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, requiring disclosure of qualitative information on how the not-for-profit entity manages its liquid available resources and liquidity risks, and requiring reporting of expenses by function and nature, as well as enhanced endowment disclosures. The ASU has been applied retrospectively for all periods presented.

New Accounting Pronouncements – In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which 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. ASU 2014-09 is effective for the Organization for the year ending June 30, 2020. The Organization is currently evaluating the effect of the implementation of this new standard.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. This guidance is effective for the year ending June 30, 2020. The Organization is evaluating the impact this guidance may have on its consolidated financial statements.

In February 2016, the 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, 2021. The Organization is evaluating the impact this guidance may have on its consolidated financial statements.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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

In June 2018, the FASB issued Accounting Standards Update (“ASU”) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The guidance in this ASU clarifies the accounting guidance for contributions received and contributions made. The amendments in this ASU will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contributions is conditional. This guidance is effective for the fiscal year ending June 30, 2020. Management is evaluating the impact of this standard on the consolidated financial statements of the Organization.

Note 2—Liquidity and availability

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, 2019 and 2018, 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>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 201,466	\$ 126,553
Grants, accounts, and contributions receivable	48,234	62,239
Investments	144,383	110,634
Investments designated for endowment	911,185	871,545
Less amounts not available to be used for general expenditure		
Investments designated for endowment subject to appropriation by the board	<u>(911,185)</u>	<u>(871,545)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 394,083</u>	<u>\$ 299,426</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, 2019 AND 2018

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, 2019 and 2018, the Organization received \$249,018 and \$196,712 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, 2019 and 2018, there was a subsidy receivable of \$15,667 and \$20,221, 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 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 memorandum of understanding (“MOU”) requires the Organization to provide office space for case manager(s), 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-school support for families, and benefits extension to provide support to families for child care assistance in the event that an income or benefit change causes a lapse in their ability to pay child care costs. For the year ended June 30, 2019, the Organization received \$82,283 in reimbursement for the FEP, which is included in the accompanying consolidated statement of activities in Day Home Fees and Contributions. The Organization signed an MOU to continue the FEP for the year ended June 30, 2020.

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:

	2019	2018
Equity funds	\$ 1,049,122	\$ 967,686
Cash equivalents	6,446	14,493
	<u>\$ 1,055,568</u>	<u>\$ 982,179</u>

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

	2019	2018
Interest and dividends	\$ 27,780	\$ 23,492
Realized and unrealized gains, net	46,507	23,912
	<u>\$ 74,287</u>	<u>\$ 47,404</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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 forty years for buildings to three years for equipment. Expenditures for repairs and maintenance are charged to expense as incurred.

During the year ended June 30, 2018, the Organization obtained access to cost reimbursement funding through the Metropolitan Development and Housing Agency and entered into a contract with a contractor to make certain energy efficiency facility improvements estimated to cost approximately \$145,000. Such improvements were completed during the fiscal year ended June 30, 2018.

The Organization has an agreement with Premier Parking to lease out their parking lot after school hours. According to the terms of the agreement, Premier will pay the Organization \$2,300 each month or 75% of the net operating income, whichever is greater. This lease expires October 31, 2019. 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 extends through December 2019 and bears interest at a variable rate with interest payments due monthly. No amounts were outstanding under the line of credit agreement at June 30, 2019 and 2018.

In June 2017, the Organization obtained a note payable to finance the cost of a custom bus. This arrangement bears interest at 4.99% and required interest only payments through October 2017, followed by monthly interest and principal payments of \$968 through October 2023. Borrowings outstanding under this arrangement were \$45,048 and \$53,939 at June 30, 2019 and 2018, respectively. The note is secured by the custom bus.

Following is a summary of future principal maturities under the note payable agreement:

Years Ending June 30,

2020	\$ 9,585
2021	10,075
2022	10,589
2023	11,130
2024	3,669
	<hr/>
	\$ 45,048

This note was fully paid subsequent to June 30, 2019.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 8—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 the Organization in the accompanying consolidated financial statements, as the Organization 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.

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 that is not classified in donor restricted net assets 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.

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 911,185	\$ -	\$ 911,185

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 871,545	\$ -	\$ 871,545
Appropriations of assets for expenditure	(27,494)	-	(27,494)
Investment return:			
Interest and dividends	20,995	-	20,995
Gains and losses	50,328	-	50,328
Management fees	(4,189)	-	(4,189)
Endowment net assets, end of year	\$ 911,185	\$ -	\$ 911,185

Endowment net asset composition by type of fund as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 871,545	\$ -	\$ 871,545

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

JUNE 30, 2019 AND 2018

Note 8—Endowment fund (continued)

Changes in endowment net assets for the year ended June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 851,267	\$ -	\$ 851,267
Appropriations of assets for expenditure	(23,094)	-	(23,094)
Investment return:			
Interest and dividends	21,520	-	21,520
Gains and losses	26,577	-	26,577
Management fees	(4,725)	-	(4,725)
Endowment net assets, end of year	<u>\$ 871,545</u>	<u>\$ -</u>	<u>\$ 871,545</u>

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 9—Restrictions on net assets

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

	2019	2018
Operating resources in next fiscal year	<u>\$ -</u>	<u>\$ 25,904</u>

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

	2019	2018
Board designated endowment fund	<u>\$ 911,185</u>	<u>\$ 871,545</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

Note 10—Concentrations

Cash and investments include funds deposited in federally insured bank accounts. Balances on deposit may at times exceed federally insured limits.

The Organization has received approximately 23% of its total revenue from two donors for the year ended June 30, 2019.

Note 11—Contributed services

During 2018, the Organization received donated marketing and repair services valued at \$50,000. Such amounts are included in revenues and expense for the year ended June 30, 2018.

Additionally, 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 12—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.

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.

SUPPLEMENTAL SCHEDULES

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

JUNE 30, 2019

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 201,466	\$ -	\$ 201,466
Investments	144,383	-	144,383
Grants, accounts, and contributions receivable	48,234	-	48,234
Prepaid expenses	5,936	-	5,936
Total Current Assets	<u>400,019</u>	<u>-</u>	<u>400,019</u>
Property and Equipment:			
Land	178,000	-	178,000
Buildings	1,599,295	-	1,599,295
Equipment	189,423	-	189,423
Playground	122,397	-	122,397
Automobile	59,630	-	59,630
	<u>2,148,745</u>	<u>-</u>	<u>2,148,745</u>
Less accumulated depreciation	<u>(479,625)</u>	<u>-</u>	<u>(479,625)</u>
Property and Equipment, net	<u>1,669,120</u>	<u>-</u>	<u>1,669,120</u>
Investments designated for endowment	-	911,185	911,185
Total Assets	<u>\$ 2,069,139</u>	<u>\$ 911,185</u>	<u>\$ 2,980,324</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 16,682	\$ -	\$ 16,682
Accrued expenses	36,933	-	36,933
Note payable	9,585	-	9,585
Total Current Liabilities	<u>63,200</u>	<u>-</u>	<u>63,200</u>
Noncurrent Liabilities:			
Note payable, net of current portion	<u>35,463</u>	<u>-</u>	<u>35,463</u>
Total Liabilities	<u>98,663</u>	<u>-</u>	<u>98,663</u>
Net Assets:			
Board designated	-	911,185	911,185
Undesignated	<u>1,970,476</u>	<u>-</u>	<u>1,970,476</u>
Total Without Donor Restrictions	<u>1,970,476</u>	<u>911,185</u>	<u>2,881,661</u>
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>1,970,476</u>	<u>911,185</u>	<u>2,881,661</u>
Total Liabilities and Net Assets	<u>\$ 2,069,139</u>	<u>\$ 911,185</u>	<u>\$ 2,980,324</u>

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

JUNE 30, 2018

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 126,553	\$ -	\$ 126,553
Investments	110,634	-	110,634
Grants, accounts, and contributions receivable	62,239	-	62,239
Prepaid expenses	3,767	-	3,767
Total Current Assets	<u>303,193</u>	<u>-</u>	<u>303,193</u>
Property and Equipment:			
Land	178,000	-	178,000
Buildings	1,599,295	-	1,599,295
Equipment	178,881	-	178,881
Playground	120,110	-	120,110
Automobile	59,630	-	59,630
	<u>2,135,916</u>	<u>-</u>	<u>2,135,916</u>
Less accumulated depreciation	<u>(410,507)</u>	<u>-</u>	<u>(410,507)</u>
Property and Equipment, net	<u>1,725,409</u>	<u>-</u>	<u>1,725,409</u>
Investments designated for endowment	-	871,545	871,545
Total Assets	<u>\$ 2,028,602</u>	<u>\$ 871,545</u>	<u>\$ 2,900,147</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 5,620	\$ -	\$ 5,620
Accrued expenses	35,548	-	35,548
Note payable	9,120	-	9,120
Total Current Liabilities	<u>50,288</u>	<u>-</u>	<u>50,288</u>
Noncurrent Liabilities:			
Note payable, net of current portion	44,819	-	44,819
Total Liabilities	<u>95,107</u>	<u>-</u>	<u>95,107</u>
Net Assets:			
Board designated	-	871,545	871,545
Undesignated	1,907,591	-	1,907,591
Total Without Donor Restrictions	<u>1,907,591</u>	<u>871,545</u>	<u>2,779,136</u>
With donor restrictions	25,904	-	25,904
Total Net Assets	<u>1,933,495</u>	<u>871,545</u>	<u>2,805,040</u>
Total Liabilities and Net Assets	<u>\$ 2,028,602</u>	<u>\$ 871,545</u>	<u>\$ 2,900,147</u>

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

YEAR ENDED JUNE 30, 2019

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 435,424	\$ -	\$ -	\$ 435,424
Membership fundraising activities	227,513	-	-	227,513
Total Public Support	<u>662,937</u>	<u>-</u>	<u>-</u>	<u>662,937</u>
Revenues:				
Day home fees	642,551	-	-	642,551
DHS food subsidies	70,944	-	-	70,944
Investment return, net	34,647	67,134	(27,494)	74,287
Facility revenue	<u>17,726</u>	<u>-</u>	<u>-</u>	<u>17,726</u>
Total Revenues	<u>765,868</u>	<u>67,134</u>	<u>(27,494)</u>	<u>805,508</u>
Total Public Support and Revenues	<u>1,428,805</u>	<u>67,134</u>	<u>(27,494)</u>	<u>1,468,445</u>
Expenses:				
Contributions to day home	-	27,494	(27,494)	-
Program services	1,122,937	-	-	1,122,937
Supporting services	<u>268,887</u>	<u>-</u>	<u>-</u>	<u>268,887</u>
Total Expenses	<u>1,391,824</u>	<u>27,494</u>	<u>(27,494)</u>	<u>1,391,824</u>
Change in net assets	<u>\$ 36,981</u>	<u>\$ 39,640</u>	<u>\$ -</u>	<u>\$ 76,621</u>

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

YEAR ENDED JUNE 30, 2018

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 507,251	\$ -	\$ -	\$ 507,251
Membership fundraising activities	217,663	-	-	217,663
Capital campaign contributions	50,000	-	-	50,000
Total Public Support	<u>774,914</u>	<u>-</u>	<u>-</u>	<u>774,914</u>
Revenues:				
Day home fees	573,185	-	-	573,185
DHS food subsidies	64,436	-	-	64,436
Investment return, net	27,126	43,372	(23,094)	47,404
Grants	30,600	-	-	30,600
Facility revenue	25,542	-	-	25,542
Total Revenues	<u>720,889</u>	<u>43,372</u>	<u>(23,094)</u>	<u>741,167</u>
Total Public Support and Revenues	<u>1,495,803</u>	<u>43,372</u>	<u>(23,094)</u>	<u>1,516,081</u>
Expenses:				
Contributions to day home	-	23,094	(23,094)	-
Program services	1,120,336	-	-	1,120,336
Supporting services	243,863	-	-	243,863
Total Expenses	<u>1,364,199</u>	<u>23,094</u>	<u>(23,094)</u>	<u>1,364,199</u>
Change in net assets	<u>\$ 131,604</u>	<u>\$ 20,278</u>	<u>\$ -</u>	<u>\$ 151,882</u>