MARTHA O'BRYAN CENTER, INC. AND AFFILIATE

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

MARTHA O'BRYAN CENTER, INC. AND AFFILIATE

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MARTHA O'BRYAN CENTER, INC. AND AFFILIATE

Roster of Board of Directors and Executive Staff as of June 30, 2022

Board of Directors

Harrison Frist	Co-Chairman of the Board
Molly Ruberg	Co-Chairman of the Board
Leighton Liles	Treasurer
Adam Carr	Board Member
Allison Wootson	Board Member
Andy Faught	Board Member
Brent Phillips	Board Member
Clay Richards	Board Member
Corinne Kidd	Board Member
Eddie Hamilton	Board Member
Greg Hagood	Board Member
Grant Rutledge	Board Member
Jeffery Zager	Board Member
Jerome Burt	Board Member
Kemarcus Haynes	Board Member
Kurt Jones	Board Member
Liz Denning	Board Member
Marilyn Greer	Board Member
Melissa Burton	Board Member
Mike McGuffin	Board Member
Molly Ruberg	Board Member
Nicole Anderson	Board Member
Robbie King	Board Member
Sabrina Miller	Board Member
Sam Needham	Board Member
Samori Cummings	Board Member
Sara Perry	Board Member
Tim Gordon	Board Member
Tim Sinks	Board Member
Toni Fitzgerald	Board Member

Executive Staff

Marsha Edwards	President & CEO
Kent Miller	Chief Operating Officer
Peter Martino	Chief Development Officer
Judy Pennyman	Chief Talent and Culture Officer

CROSSLIN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Martha O'Bryan Center, Inc. and Affiliate
Nashville, Tennessee

Report on the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Martha O'Bryan Center, Inc. and Affiliate (collectively the "Center") which comprise the consolidated statement of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, 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 present fairly, in all material respects, the financial position of Martha O'Bryan Center, Inc. and Affiliate as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Martha O'Bryan Center, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Martha O'Bryan Center, 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 and *Government 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 and *Government 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 Martha O'Bryan Center 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 Martha O'Bryan Center 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 schedule of expenditures of federal awards 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 March 20, 2022, on our consideration of Martha O'Bryan Center 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 Martha O'Bryan Center Inc. and Affiliate's 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 Martha O'Bryan Center Inc. and Affiliate's internal control over financial reporting and compliance.

Crosslin, PLLC

Nashville, Tennessee
March 20, 2023

MARTHA O'BRYAN CENTER, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
Cash and cash equivalents	$ 21,435,150	$ 6,874,105
Government grants receivable	3,353,390	1,465,496
Other receivables	6,624	1,314
Due from Martha O'Bryan Foundation, Inc.	77,637	311,698
Current portion of contributions receivable	1,068,193	3,648,820
Prepaid expenses and other assets	162,341	46,654
Cash restricted as to use	1,646,990	3,665,754
Total current assets	27,750,325	16,013,841
Investments	1,900,133	1,000,000
Contributions receivable, excluding current portion	530,314	1,269,433
Note receivable	12,310,500	-
Property and equipment, net	25,400,986	22,920,065
Total assets	$ 67,892,258	$ 41,203,339

LIABILITIES AND NET ASSETS

	2022	2021
LIABILITIES		
Line of credit	$ -	$ 39,500
Accounts payable	364,041	186,026
Accrued liabilities	218,090	286,862
Current installments of long-term debt	828,000	-
Current portion of capital lease obligations	1,308,000	3,808,000
Total current liabilities	2,718,131	4,320,388
Long-term debt, less current installments	23,141,392	1,519,409
Capital lease obligations, excluding current portion	16,691,884	16,339,480
Total liabilities	42,551,407	22,179,277
NET ASSETS		
Net assets without donor restrictions	22,345,007	8,476,208
Net assets with donor restrictions	2,995,844	10,547,854
Total net assets	25,340,851	19,024,062
Total liabilities and net assets	$ 67,892,258	$ 41,203,339

See notes to consolidated financial statements.

MARTHA O'BRYAN CENTER, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues:			
Government grants	$ 7,918,004	$ -	$ 7,918,004
Private grants	389,542	2,067,956	2,457,498
Program fees and subsidies	19,055,288	-	19,055,288
Contributions	2,236,673	2,049,320	4,285,993
Investment income	36,065	2,500,113	2,536,178
Other revenue	179,101	-	179,101
Net assets released from restrictions:			
Restrictions satisfied by incurrence of costs	9,504,571	(9,504,571)	-
Expiration of time restrictions	4,664,828	(4,664,828)	-
Total support and revenues	43,984,072	(7,552,010)	36,432,062
Program services:			
Charter schools	18,115,143	-	18,115,143
Youth services	2,301,674	-	2,301,674
Community services	618,380	-	618,380
Family education	2,258,968	-	2,258,968
Total program services	23,294,165	-	23,294,165
Supporting services:			
Management and general	6,366,441	-	6,366,441
Fundraising	454,667	-	454,667
Total supporting services	6,821,108	-	6,821,108
Total expenses	30,115,273	-	30,115,273
Change in net assets	13,868,799	(7,552,010)	6,316,789
Net assets, beginning of year	8,476,208	10,547,854	19,024,062
Net assets, end of year	$ 22,345,007	$ 2,995,844	$ 25,340,851

See notes to consolidated financial statements.

2021		
Without Donor Restrictions	With Donor Restrictions	Total
$ 4,241,248	$ -	$ 4,241,248
591,227	1,490,002	2,081,229
17,075,836	-	17,075,836
816,384	3,914,915	4,731,299
14,833	-	14,833
2,970,671	-	2,970,671
4,100,456	(4,100,456)	-
-	-	-
29,810,655	1,304,461	31,115,116
13,873,250	-	13,873,250
2,729,393	-	2,729,393
495,293	-	495,293
569,957	-	569,957
17,667,893	-	17,667,893
6,123,943	-	6,123,943
453,704	-	453,704
6,577,647	-	6,577,647
24,245,540	-	24,245,540
5,565,115	1,304,461	6,869,576
2,911,093	9,243,393	12,154,486
$ 8,476,208	$ 10,547,854	$ 19,024,062

MARTHA O'BRYAN CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services					Supporting Services			
	Charter Schools	Youth Services	Community Services	Family Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 8,610,390	$ 1,538,156	$ 347,842	$ 1,356,618	$ 11,853,006	$ 2,992,810	$ 297,792	$ 3,290,602	$ 15,143,608
Employee benefits	1,878,055	157,073	35,455	152,173	2,222,756	668,217	24,808	693,025	2,915,781
Payroll taxes	401,306	126,287	28,296	101,272	657,161	330,071	22,354	352,425	1,009,586
Total personnel costs	10,889,751	1,821,516	411,593	1,610,063	14,732,923	3,991,098	344,954	4,336,052	19,068,975
Professional services	296,230	31,825	10,379	128,554	466,988	655,502	40,596	696,098	1,163,086
Insurance	66,839	15,745	4,302	13,416	100,302	33,697	3,344	37,041	137,343
Food and supplies	353,627	132,969	32,151	60,262	579,009	158,313	7,851	166,164	745,173
Client assistance	-	30,631	79,846	175,247	285,724	39,779	-	39,779	325,503
Communications	165,198	19,709	6,153	16,110	207,170	73,391	14,769	88,160	295,330
Utilities	267,183	19,865	8,662	16,423	312,133	98,328	3,541	101,869	414,002
Building and ground maintenance	72,835	42,258	9,678	35,197	159,968	71,740	7,724	79,464	239,432
Equipment maintenance and repair	83,517	43,414	8,228	44,945	180,104	69,423	4,743	74,166	254,270
Vehicles and travel	849,033	61,824	1,090	3,956	915,903	15,220	-	15,220	931,123
Professional development	159,423	7,818	214	791	168,246	11,933	137	12,070	180,316
Subscriptions	127,203	8,657	1,869	21,979	159,708	21,523	17,127	38,650	198,358
Fees, licenses, and miscellaneous	41,895	62,094	3,191	132,025	239,205	330,456	5,331	335,787	574,992
Special education services	375,187	-	-	-	375,187	-	-	-	375,187
Technology services	-	-	-	-	-	-	-	-	-
Occupancy	658,758	2,799	41,024	-	702,581	193,466	4,550	198,016	900,597
Instructional	892,649	-	-	-	892,649	13,604		13,604	906,253
Interest	1,935,755	-	-	-	1,935,755	359,163	-	359,163	2,294,918
Total expenses before depreciation	17,235,083	2,301,124	618,380	2,258,968	22,413,555	6,136,636	454,667	6,591,303	29,004,858
Depreciation	880,060	550	-	-	880,610	229,805	-	229,805	1,110,415
Total expenses	$ 18,115,143	$ 2,301,674	$ 618,380	$ 2,258,968	$ 23,294,165	$ 6,366,441	$ 454,667	$ 6,821,108	$ 30,115,273

See notes to consolidated financial statements.

MARTHA O'BRYAN CENTER, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services					Supporting Services			
	Charter Schools	Youth Services	Community Services	Family Education	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries	$ 6,190,695	$ 1,790,035	$ 353,907	$ 384,881	$ 8,719,518	$ 3,443,880	$ 340,655	$ 3,784,535	$ 12,504,053
Employee benefits	1,718,407	184,794	26,010	37,252	1,966,463	425,108	32,665	457,773	2,424,236
Payroll taxes	457,894	132,483	26,536	28,182	645,095	241,892	25,129	267,021	912,116
Total personnel costs	8,366,996	2,107,312	406,453	450,315	11,331,076	4,110,880	398,449	4,509,329	15,840,405
Professional services	329,436	108,962	13,673	7,747	459,818	329,218	3,785	333,003	792,821
Insurance	72,962	25,470	4,523	4,157	107,112	24,919	5,521	30,440	137,552
Food and supplies	247,473	182,884	13,732	4,801	448,890	41,032	114	41,146	490,036
Client assistance	-	45,696	36,255	13,098	95,049	497,882	-	497,882	592,931
Communications	61,297	19,729	4,983	7,072	93,081	101,982	3,836	105,818	198,899
Utilities	244,635	21,900	5,472	7,730	279,737	78,474	6,689	85,163	364,900
Building and ground maintenance	192,604	17,071	2,837	63,583	276,095	129,368	3,464	132,832	408,927
Equipment maintenance and repair	11,142	163,765	-	-	174,907	39,996	-	39,996	214,903
Vehicles and travel	650,918	5,155	108	368	656,549	717	32	749	657,298
Professional development	29,612	3,869	292	1,282	35,055	53,745	-	53,745	88,800
Subscriptions	2,919	-	-	-	2,919	59,825	-	59,825	62,744
Fees, licenses, and miscellaneous	278,853	812	277	357	280,299	204,204	23,639	227,843	508,142
Special education services	249,541	-	-	-	249,541	-	-	-	249,541
Technology services	239,315	-	-	-	239,315	21,662	-	21,662	260,977
Occupancy	289,920	26,768	6,688	9,447	332,823	93,499	8,175	101,674	434,497
Instructional	68,245	-	-	-	68,245	-	-	-	68,245
Interest	1,702,273	-	-	-	1,702,273	139,588	-	139,588	1,841,861
Total expenses before depreciation	13,038,141	2,729,393	495,293	569,957	16,832,784	5,926,991	453,704	6,380,695	23,213,479
Depreciation	835,109	-	-	-	835,109	196,952		196,952	1,032,061
Total expenses	$ 13,873,250	$ 2,729,393	$ 495,293	$ 569,957	$ 17,667,893	$ 6,123,943	$ 453,704	$ 6,577,647	$ 24,245,540

See notes to consolidated financial statements.

MARTHA O'BRYAN CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 6,316,789	$ 6,869,576
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,110,415	1,032,061
Amortization of debt issuance costs	1,181	-
Unrealized gains on investments	(900,133)	-
Gifts restricted for capital campaign	(1,872,000)	(1,881,238)
Debt issuance costs	(542,452)	-
Interest capitalized	57,097	31,105
(Increase) decrease in operating assets:		
Government grant receivables	(1,887,894)	(863,184)
Other receivables	(5,310)	428,107
Contributions receivable	490,718	(488,425)
Prepaid expenses and other assets	(115,687)	70,415
Due from Martha O'Bryan, Inc.	234,061	(311,698)
Increase (decrease) in operating liabilities:		
Accounts payable	178,015	(40,682)
Accrued liabilities	(68,772)	(526,346)
Net cash provided by operating activities	2,996,028	4,319,691
Cash flows from investing activities:		
Issuance of note receivable	(12,310,500)	-
Purchase of property and equipment	(3,591,336)	(798,014)
Net cash used in investing activities	(15,901,836)	(798,014)
Cash flows from financing activities:		
Collections of contributions receivable for long term purposes	4,701,028	1,870,121
Proceeds from long-term debt	24,822,498	-
Forgiveness of long-term debt	-	(2,787,000)
Payments on long-term debt	(2,638,845)	
Additions to capital leases	750,504	39,483
Payments of capital leases	(2,147,596)	-
Net borrowings (repayments) on line of credit	(39,500)	(393,000)
Net cash (used in) provided by financing activities	25,448,089	(1,270,396)
Net change in cash and cash equivalents and restricted cash	12,542,281	2,251,281
Cash, cash equivalents and restricted cash at beginning of year	10,539,859	8,288,578
Cash, cash equivalents and restricted cash at end of year	$ 23,082,140	$ 10,539,859

See notes to consolidated financial statements.

MARTHA O'BRYAN CENTER, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Reconciliation of cash and equivalents and restricted cash:		
Cash and equivalents	$ 21,435,150	$ 6,874,105
Cash restricted as to use	1,646,990	3,665,754
	$ 23,082,140	$ 10,539,859
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 2,237,821	$ 1,799,296

A. NATURE OF ACTIVITIES

Organization

Martha O'Bryan Center, Inc. and Affiliate (collectively the "Center"), founded in 1894, is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The primary programs of the Center include charter schools, child development, youth services, community services and family education. The Center operates primarily in its East Nashville community. The charter schools discussed below are programs of the Center. Accordingly, all activity of the schools are included in the accompanying consolidated financial statements.

During 2011, the Center received funding for a charter school, East End Preparatory School ("EEP"), in East Nashville. EEP provides kindergarten through grade eight students with the academic foundation necessary to excel in high school and beyond, while fully integrating familial and community support to help them achieve their goals. EEP opened in August 2011 with four kindergarten classes and added an additional grade each year culminating with the addition of the eighth grade in the 2019-2020 fiscal year.

During 2014, the Center received approval to open another charter school, Explore Community School ("Explore"). Explore plans to provide kindergarten through grade eight students with opportunities to foster independence, critical thinking and creativity through project-based learning. Explore opened in August 2015 and plans to add an additional grade each year, similar to EEP.

In December 2021, MOBC-Boscobel, Inc., a qualified tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, was established to obtain financing and construct new facilities which will serve as offices for the Center.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated Financial Statement Presentation

The accompanying consolidated financial statements present the financial position and changes in net assets of the Martha O'Bryan Center (the "MOBC") and MOBC-Boscobel, Inc. ("Boscobel") on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All significant intercompany receivables and payables and income and expenses among consolidated entities have been eliminated upon consolidation.

The consolidated financial statements of the Center are presented on the accrual basis. The significant accounting policies followed are described below.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Center considers all highly liquid investments with original maturities of less than three months to be cash equivalents. The Center may, at times, maintain bank accounts whose balances exceed federally insured limits. However, the Center 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.

Contributions and Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Unconditional promises to give are reported net of an allowance for uncollectible receivables based on historical payment trends and review of specific accounts. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Grant Revenues and Receivables

Grant revenues are recognized when qualified reimbursable expenses are incurred or when services are performed. Grant funds received in advance are recognized as deferred grant revenue until earned. Grant receivables represent amounts due from grants which have been earned but not received. All grant receivables are reported at estimated collectible amounts.

The Center receives federal financial assistance through state agencies, as well as state and local government grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the Center. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Center as of June 30, 2022 and 2021.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. It is the Center's policy to capitalize property and equipment over $10,000. Depreciation is calculated using the straight-line method to allocate the cost of depreciable assets over the estimated useful lives of the assets. The useful lives for buildings and improvements range from five to forty years. The lives for equipment, furniture and fixtures, office equipment and automobiles range from five to seven years. Assets held under capital leases are amortized over the shorter of the estimated useful life of the assets or the lease term. Donated property and equipment are recorded at their estimated fair value at the date of the gift.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in net assets without donor restrictions.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor- imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Center has no net assets subject to donor-imposed restrictions that are perpetual in nature at June 30, 2022 and 2021.

Contributions received are recorded as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

In-Kind Contributions of Property, Materials and Services

In-kind contributions are recognized at their estimated fair values on date of receipt. The Center recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Center receives services from a large number of volunteers who give significant amounts of their time to the Center's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition.

Income Taxes

The Center is exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3), and, accordingly, no provision for income taxes is included in the consolidated financial statements.

Under generally accepted accounting principles ("GAAP"), a tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The Center had no material uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements as of June 30, 2022 and 2021.

The Center files a U.S. Federal information tax return. As of June 30, 2022 and 2021, the Center has accrued no interest and no penalties related to uncertain tax positions. It is the Center's policy to recognize interest and/or penalties related to income tax matters in income tax expense.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Expenses which are directly related to a function are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods in order to reflect the total cost of each function. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Center.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Long-lived Assets

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

New Accounting Standards

In February 2016, the FASB issued ASU No. 2016-02, Leases. ASU 2016-02 will generally require on-balance sheet recognition for all leases with terms that exceed twelve months. The new lease accounting model will continue to reflect two types of leases. Under the new rules, a lessee would account for most existing capital leases as finance leases (that is, recognizing amortization of the right-of-use ("ROU") asset, as well as separately recognizing interest on the lease liability in the statement of activities). Most existing operating leases will remain as operating leases (that is, recognizing a single total lease expense). Both finance leases and operating leases will result in the lessee recognizing a ROU asset and a lease liability. The guidance, as amended, is effective for the Center beginning July 1, 2022. Management of the Center is currently evaluating the impact adoption of ASU 2016-02 will have on its consolidated financial statements and disclosures.

Use of Estimates

The preparation of consolidated financial statements in conformity with 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified in the 2021 consolidated financial statements in order to conform to the 2022 presentation.

C. LIQUIDITY AND AVAILABILITY

The following table reflects the Center's financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	2022	2021
Cash and cash equivalents	$ 21,435,150	$ 6,874,105
Government grants receivable	3,353,390	1,465,496
Other receivables	6,624	1,314
Due from Martha O'Bryan Foundation, Inc.	77,637	311,698
Contribution's receivable	1,598,507	4,918,253
Investments	1,900,133	1,000,000
Financial assets at end of year	28,371,441	14,570,866
Less: assets unavailable for general expenditures within one year:		
Net assets with donor restrictions	(2,995,844)	(10,547,854)
Financial assets available to meet cash needs for general expenditures within one year	$ 25,375,597	$ 4,023,012

The Center seeks to maintain liquid assets in order to meet its obligations as they become due. Additionally, the Center has a line of credit with an available balance of $1,000,000 at June 30, 2022 which could provide for operating cash, if needed.

D. SIGNIFICANT SUPPORT

The Center received approximately 52% in 2022 and 55% in 2021 of its funding for operations from Metro Nashville Public Schools based on the State of Tennessee's Basic Education Program ("BEP") for its charter schools, EEP and Explore. BEP funding is designated to schools based on student attendance. Gross BEP funding for the year ended June 30, 2022 was $18,800,287 which excludes $236,000 of capital outlay funds included with government grants revenue to be used for facility rent. Gross BEP funding for the year ended June 30, 2021 was $16,828,366 which excludes $247,500 of capital outlay funds included with government grants revenue to be used for facility rent.

A major reduction of these funds, should this occur, may have a significant effect on future operations of the Center.

E. CONTRIBUTIONS RECEIVABLE

A summary of contributions receivable as of June 30, 2022 and 2021 is as follows:

	2022	2021
Unconditional promises expected to be collected in:		
Less than one year	$ 1,068,193	$ 3,648,820
One to five years	654,787	1,631,219
	1,722,980	5,280,039
Less discount for net present value	(124,473)	(361,786)
	$ 1,598,507	$ 4,918,253

Contributions receivable have been discounted using the Center's incremental borrowing rate as of June 30, 2022. The weighted average discount rate of pledges outstanding as of June 30, 2022 was 5.5%. The majority of the Center's contributions receivable are restricted by donors for the acquisition of property and equipment, including meeting obligations of the Center's capital lease obligations. Management determined that an allowance for uncollectible accounts was not necessary at June 30, 2022 and 2021.

F. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, fair value accounting standards establish a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity including quoted market prices in active markets for identical assets (Level 1), or significant other observable inputs (Level 2) and the reporting entity's own assumptions about market participant assumptions (Level 3). The Center does not have any fair value measurements using significant unobservable inputs (Level 3) as of June 30, 2022 and 2021. The Center's investments was valued utilizing Level 1 measurements (Note G).

G. INVESTMENTS

During 2020, the Center received an investment in the common stock of a private company. The private company is an investment holding company that holds other interests operating primarily in oil and gas properties. The stock was contributed to assist the Center in meeting future capital needs, including capital investments and debt repayment. Beginning in September 2021, the common stock began trading publicly, and the Center has sold a portion of the common stock. The fair value of the stock at June 30, 2022 and 2021 was $1,900,133 and $1,000,000, respectively.

H. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 is as follows:

	2022	2021
Land	$ 1,150	$ 1,150
Building and improvements	4,223,729	4,180,841
Furniture and fixtures	425,539	425,539
Equipment	1,981,858	1,711,362
Automobiles	179,817	179,817
Building under capital lease	21,454,000	21,454,000
Equipment under capital lease	214,610	214,610
Construction in progress	3,819,830	541,877
	32,300,533	28,709,196
Accumulated depreciation	(6,899,547)	(5,789,131)
	$ 25,400,986	$ 22,920,065

Construction in progress at June 30, 2022 and 2021 consisted mainly of construction of the Center's Hope/Faith building. The renovations began in winter 2021 with expected completion during 2023. Estimated costs on construction of the building are approximately $13 million. Funding for the building consists of capital campaign contributions as well as long-term debt (see Note K).

I. NOTE RECEIVABLE

As part of the Center's financing arrangement for construction of the Faith building (see Note K), the Center issuance a note receivable with a principal balance of $12,310,500 to Chase NMTC MOB Investment Fund, LLC (the "Fund"). The note bears interest at 1%, payable quarterly beginning in March 2022. In March 2029, principal and interest payments of $197,997 will be required to be paid quarterly through September 2045. Final payment of $131,930 is due in December 2045. Management has determined no allowance is necessary on the note receivable as of June 30, 2022.

Related to the arrangement with NMTC MOBC Investment Fund, LLC, the Center has an option at the end of the compliance period in December 2028, to purchase the Fund. Certain compliance measures as defined in the option agreement are required for the purchase option to be exercised.

J. LINE-OF-CREDIT

The Center has an agreement with a local financial institution for an unsecured revolving line of credit with a maximum availability of $1,000,000. Interest is payable monthly at the institution's prime rate of interest plus 0.75%, but in no event will the rate be less than 4% (5.5% at June 30, 2022). Amounts outstanding under this line of credit were $-0- and $39,500 at June 30, 2022 and 2021, respectively. The line of credit expires in March 2023.

K. LONG-TERM DEBT

In December of 2021 the Center entered into a new market tax credit debt structure for the purpose of construction of a new facility. Long-term debt, related to the financing of construction consists of the following at June 30, 2022:

Note payable to Pinnacle Bank, with a principal amount of $4,140,000, bearing interest at a fixed rate of 2.25%, with interest accruing quarterly through December 2026. Beginning in December 2022, annual payments of $828,000 are required through the maturity date in December 2026. The note payable is collateralized by land and property improvements. Ending principal balance as of June 30, 2022 is $2,333,350.

Note payable to Low Income Investment Fund (LIIF), with a principal amount up to $3,000,000 bearing interest at a fixed rate of 4.5%, with interest accruing quarterly through September 2028 and a balloon payment of principal and unpaid interest due in December 2028. The note payable is collateralized by land and property improvements. Ending principal balance as of June 30, 2022 is $2,912,347.

A short term bridge loan to JP Morgan Chase, with a principal amount of $891,498, bearing interest at 0%. The loan was paid in full upon funding of notes payable from LIIF Sub-CDE LC, LLC and CNMC Sub-CDE 199, LLC (see below) on the same day the loan was obtained. Ending principal balance as of June 30, 2022 is $-0-.

Note payable to LIIF Sub-CDE LC, LLC, with a principal amount of $14,938,000, bearing interest at a fixed interest rate of 1.1827%, with interest only payments of $44,186 due quarterly through December 2028. Beginning in March 2029, quarterly interest and principal payments of $186,280 are required through September 2051 with a final payment of outstanding principal and interest of $124,125 becoming due in December 2051. The note payable is collateralized by land and property improvements. Ending principal balance as of June 30, 2022 is $14,938,000.

K. LONG-TERM DEBT - Continued

Note payable to CNMC Sub-CDE 199, LLC, with a principal amount of $2,000,000, bearing interest at a fixed rate of 1.1827%, with interest only payments of $5,914 due quarterly through December 2028. Beginning in March 2029, quarterly interest and principal payments of $24,940 are required through August 2051 with a final payment of outstanding principal and interest of $16,619 becoming due in December 2051. The note payable is collateralized by land and property improvements. Ending principal balance as of June 30, 2022 is $2,000,000.
The Center also paid $542,452 in costs related to closing of the loans, which are presented net of notes payable in the balance sheet. These costs are being amortized over the life of the loans. The Center recognized $1,181 in amortization expense in fiscal year 2022.

Maturities of long term debt for the next five years are as follows:

Year Ending June 30,	Amount
2023	$ 828,000
2024	828,000
2025	677,350
2026	-
2027	-
Thereafter	19,850,347
Total	$22,183,697

Interest expense recognized related to the above notes payable was $213,461 during the year ended June 30, 2022.

L. CAPITAL LEASE OBLIGATIONS AND DEFERRED RENT NOTE PAYABLE

Capital Leases of Building and Equipment

The Center has a formal sub-lease agreement for Explore's use of a school building and equipment with the Metropolitan Development Housing Authority ("MDHA"). The sub-leases commenced in August 2019 when Explore took occupancy of the school building and equipment. The sub-leases represent capital lease obligations recorded on Explore's financial statements. The sub-leases have the following provisions:

Equipment sub-lease: The sub-lease for the equipment is for a term of ten years requiring monthly rent payments of approximately $2,400 per month. The equipment lease contains a purchase option that allows the Center to purchase the equipment at the end of the lease for its fair market value at that time.

L. CAPITAL LEASE OBLIGATIONS AND DEFERRED RENT NOTE PAYABLE - Continued

School building sub-lease: The sub-lease for the school building is for an initial term of 30 years with two optional five-year extensions. Rent is due monthly in amounts totaling approximately $106,600 from the commencement of the lease through September 30, 2025, $158,800 from October 1, 2025 through December 31, 2028, $159,400 from January 1, 2029 through December 31, 2029 and $161,250 from January 1, 2030 through September 30, 2048. However, cash payments of rent are limited to 9.25% of Explore's gross revenue (as defined in the agreement). Any excess base rent over this limitation each month is accrued under a separate term loan payable to MDHA as an obligation under the deferred rent note payable (discussed below).

The Center also has an option to purchase the school building, the equipment and the interest in a land lease from the property's developer. The option period begins September 24, 2025 and continues for a period of 180 days. The purchase price is equal to the greater of the fair market value of the school building and equipment or the outstanding balances of certain loan balances held by MDHA at the purchase option date.

At June 30, 2022, the net book value of the building and equipment under the capital leases totaled $19,543,827.

A summary of approximate future minimum payments to MDHA under these leases for years subsequent to June 30, 2022 are as follows:

Year Ending June 30,	
2023	$ 1,308,000
2024	1,308,000
2025	1,308,000
2026	1,778,250
2027	1,935,000
2028 - 2032	9,675,000
2033 - 2037	9,675,000
2038 - 2042	9,675,000
2043 - 2047	9,675,000
2047 - 2049	2,418,750
	48,756,000
Amount representing interest	(30,756,116)
	$ 17,999,884

L. CAPITAL LEASE OBLIGATIONS AND DEFERRED RENT NOTE PAYABLE - Continued

Obligation under deferred rent note payable

As noted above, any excess of the School's scheduled minimum lease payment under the building sub-lease and 9.25% of the Center's gross revenue are funded by MDHA through a term loan. This term loan has a maximum capacity of $3.5 million. Interest is accrued to the principal of the loan at a rate of 3% per year. All principal and interest are due in March 2026. During 2022, capital lease shortfall payments of approximately $807,601 was capitalized under the obligation to MDHA. The balance as of June 30, 2022 was $2,326,966.

M. NET ASSETS WITH DONOR RESTRICTIONS

Assets with donor restrictions are available for the following purposes:

	2022	2021
Subject to expenditure for specified purpose:		
Capital assets	$1,817,088	$ 8,935,406
Academic student unions/post-secondary programs	78,705	-
Adult education	-	1,995
Post secondary success	88,286	56,529
Other	1,011,765	1,553,924
	$2,995,844	$10,547,854

N. RETIREMENT PLANS

Assets with Donor Restrictions

The Center maintains a 401(k) retirement plan. Employees are eligible to participate in the 401(k) plan after completing one year of service and attaining age eighteen. The Center may make matching contributions to the plan on a discretionary basis.

EEP and Explore certified teachers, with membership in the Tennessee Consolidated Retirement Plan (TCRS) before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing, multiple employer defined benefit pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014 but will continue providing benefits to existing members and retirees. Contributions for teachers are established in the statutes governing TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The Center annually contributed 10.3% and 10.27% of covered payroll to the plan for 2022 and 2021.

N. RETIREMENT PLANS - Continued

EEP and Explore certified teachers, with membership in the TCRS after July 1, 2014, are provided with pensions through the Teacher Retirement Plan, a cost-sharing, multiple employer defined benefit pension plan administered by the TCRS. Contributions for teachers are established in the statutes governing TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute 5% of salary. The Center annually contributed 4% of covered payroll to the plan for 2022 and 2021. During 2022 and 2021, The Center placed the actuarially determined contribution rate of 2.01% and 2.02% of covered payroll into the pension plan and placed 1.99% and 1.98% percent of covered payroll into the Pension Stabilization Reserve Trust, respectively.

All other EEP and Explore employees participate in the Metropolitan Government of Nashville and Davidson County's Division B Pension Plan, a defined benefit multi-employer pension plan managed and administered by the Metropolitan Employee Benefit Board, an independent board created by the Metropolitan Charter. All funding is provided under an actuarially recommended employee contribution rate of 12.881% and 12.34% for 2022 and 2021 for the non-certificate employees of the Metropolitan Nashville Public Schools.

The total employer expense of the Center for all of the above plans was approximately $1,069,000 and $835,000 for 2022 and 2021, respectively.

O. OPERATING LEASES

The Center rents educational space from the Metropolitan Government of Nashville for EEP, one of the Center's charter schools. The EEP lease requires monthly payments of $30,657 through June 20, 2031, subject to annual increases of 2%. The Center also leases office equipment under the terms of non-cancelable operating leases. Rent expense under these leases totaled $426,187 and $434,497 for 2022 and 2021, respectively. Additionally, the Center also rents busses under short term contracts for transporting students. Rent expense under these leases totaled $826,495 and $650,375 for 2022 and 2021, respectively.

O. OPERATING LEASES - Continued

A summary of approximate future minimum payments under these leases as of June 30, 2022 is as follows:

Year Ending June 30,	
2023	$ 478,244
2024	497,374
2025	517,269
2026	537,959
2027	559,478
Thereafter	2,470,835
	$5,061,159

P. RELATED PARTY TRANSACTIONS

The Center receives funding from the Martha O'Bryan Foundation, Inc. ("Foundation"), a related entity which is governed by a separate Board of Directors. A total of $26,482 and $46,093 was received from the Foundation during 2022 and 2021, respectively.

Q. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2023, the date the consolidated financial statements were available for issuance, and has determined there are no subsequent events requiring disclosure.

SUPPLEMENTAL SCHEDULES

MARTHA O'BRYAN CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
YEAR ENDED DECEMBER 31, 2022

Federal or State Grantor/Program Title/ Pass-through Grantor	Assistance Listing Number	Grantor's Number	Expenditures
Expenditures of Federal Awards:			
U.S Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program (1)	10.555	N/A	$ 244,876
National School Breakfast Program (1)	10.553	N/A	167,443
Total Child Nutrition Cluster			412,319
Supplemental Nutrition Assistance Program Employment & Training Program (2)	10.537	N/A	782
Total U.S. Department of Agriculture			413,101
U.S. Department of Justice			
Crime Victim Assistance Grant (4)	16.575	35496	358,183
U.S. Department of Treasury			
Coronavirus Relief Fund			
CSP Remote Learning Grant (1)	21.019	N/A	54,600
Total U.S. Department of Treasury			54,600
U.S. Department of Education			
21st Century Community Learning Centers (1)	84.287C	33109-01919	253,452
Education Stabilization Fund (ESF)			
Governor's Emergency Education Relief Fund (GEER) (1)	84.425C		131,623
Total U.S. Department of Education			385,075
U.S. Department of Human Services			
Temporary Assistance for Needy Families (3) *	93.558	N/A	1,856,485
Total U.S. Department of Human Services			1,856,485
Corporation for National and Community Service			
AmeriCorps (4)	94.006	31701-11913	144,827
Total Corporation for National and Community Service			144,827
TOTAL FEDERAL AWARDS			3,212,271

See independent auditor's opinion and accompanying notes.

MARTHA O'BRYAN CENTER, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE - Continued
YEAR ENDED DECEMBER 31, 2021

Federal or State Grantor/Program Title/ Pass-through Grantor	Assistance Listing Number	Grantor's Number	Expenditures
Expenditures of State Financial Assistance:			
Tennessee Department of Human Services:			
Family Empowerment Program	N/A	GR1238698	260,442
Tennessee Department of Child Services:			
Tied Together Program	N/A	GR1238698	53,620
Tennessee Department of Education:			
Basic Education Program - District Funding	N/A	N/A	18,800,287
Basic Education Program - Capital Outlay	N/A	N/A	236,000
State Facility Grant	N/A	N/A	183,042
Lottery for Education Afterschool Programs	N/A	33119-01512	404,663
Total State of Tennessee Department of Education			19,623,992
TOTAL STATE FINANCIAL ASSISTANCE			19,938,054
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			$ 23,150,325

* - denotes major program

(1) - Passed through the Tennessee Department of Education

(2) - Passed through the United Way of Metropolitan Nashville

(3) - Passed through the Tennessee Department of Human Services

(4) - Passed through the Tennessee Department of Finance and Administration

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") includes the federal and state grant activity of Martha O'Bryan Center, Inc. and Affiliate (collectively the "Center"). The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance") and the State of Tennessee. Because the Schedule presents only a selected portion of the operations of the Center, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For purposes of the Schedule, expenditures of federal and state grant awards are recognized on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Center did not expend any Federal or State awards during fiscal year 2022 in the form of non-cash assistance.

The Center elected to not use the 10% deminimus indirect cost rate. The Center did not provide any funds to subrecipients.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors of
Martha O'Bryan Center, Inc. and Affiliate

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Martha O'Bryan Center, Inc. and Affiliate (collectively the "Center"), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Center's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 that we consider to be a material weakness.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2022-001.

The Center's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Center's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this 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 the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
March 20, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors of
Martha O'Bryan Center, Inc. and Affiliate

Report on Compliance for the Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of Martha O'Bryan Center, Inc. and Affiliate (collectively the "Center") with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022. The Center's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Martha O'Bryan Center, Inc. and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Martha O'Bryan Center, Inc. and Affiliate and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Martha O'Bryan Center, Inc. and Affiliate's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Martha O'Bryan Center, Inc. and Affiliate's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Martha O'Bryan Center, Inc. and Affiliate's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Martha O'Bryan Center, Inc. and Affiliate s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Martha O'Bryan Center, Inc. and Affiliate's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Martha O'Bryan Center, Inc. and Affiliate's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Martha O'Bryan Center, Inc. and Affiliate's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crosslin, PLLC

Nashville, Tennessee
March 20, 2023

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Consolidated Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	_x_ yes ___ no
Significant deficiency(ies) identified?	___ yes _x_ none reported
Noncompliance material to consolidated financial statements noted?	_x_ yes ___ no

Federal Awards

Internal control over major program:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(ies) identified?	___ yes _x_ none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ yes _x_ no

Identification of major programs:

CFDA Number	Name of Federal Program
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between Type A and Type B programs: $750,000

Auditee qualified as low-risk auditee? _x_ yes ___ no

SECTION II - FINDINGS RELATING TO THE CONSOLIDATED FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ITEM # 2022-001

CONDITION OF FINANCIAL RECORDS

Criteria, Condition, Context, Cause and Effect

During the audit we noted certain accounting functions, such as proper maintenance and review of the general ledger and reconciliations of various major accounts, were not timely and consistently performed during the year. We identified per our discussions with management and review of the accounting records, there were inconsistencies with reconciliations and posting entries due to three different accountants performing accounting functions during fiscal year 2022 due to employee turnover. Also, a new accounting software system was implemented at the charter schools mid-year with a change in chart of accounts. Audit adjustments proposed to correct accounts were identified, agreed by management, and posted in the consolidated financial statements for the following: grant revenues and receivables, accrued expenses and pension expense, depreciation expense and accumulated depreciation, proper capitalization of equipment, related party transactions, lease activity, and pledge activity. Also, general ledger activity was provided in the place of requested audit schedules for certain accounts.

Recommendation and Benefit

We recommend that the School update and implement policies and procedures to ensure general ledger reconciliations and adjustments are made timely, monitor and improve the accounting and information systems, implement adequate and timely reviews, continue to improve communication and exchange of financial information between divisions, and assess staffing levels to ensure that they are at an appropriate level to perform critical accounting procedures in a timely manner.

View of Responsible Officials and Planned Corrective Actions

We have reviewed and discussed the comments with our auditors and will be revising our accounting policies and procedures manual. We also have plans to hire additional staff to reduce turnover risk and provide additional accounting capacity.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

Prior Year Finding Number	Finding Title	Current Year Status
2021-001	Eligibility Requirements	Resolved
2021-002	Support for Eligibility	Resolved

Management's Corrective Action Plan

2022-001	Condition of Financial Records

Corrective Action

We have reviewed and discussed the comments with our auditors and will be revising our accounting policies accordingly. We also have hired additional staff to reduce turnover risk and provide additional accounting capacity.

Anticipated Completion Date	June 30, 2023
Name of Contact Person	Marsha Edwards, CEO Martha O'Bryan Center (615) 254-1791

Respectfully submitted,

Marsha Edwards

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Marsha Edwards
President & CEO