

MARTHA O'BRYAN CENTER, INC.
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2021

MARTHA O'BRYAN CENTER, INC.

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MARTHA O'BRYAN CENTER, INC.

Roster of Board of Directors and Executive Staff as of June 30, 2021

Board of Directors

Harrison First	Co-Chairman of the Board
Todd Cruse	Co-Chairman of the Board
Leighton Liles	Treasurer
Adam Carr	Board Member
Allison Wootson	Board Member
Melissa Burton	Board Member
Toni Fitzgerald	Board Member
Midge Folger	Board Member
Andy Faught	Board Member
Tam Gordon	Board Member
Marilyn Greer	Board Member
Greg Hagood	Board Member
Eddie Hamilton	Board Member
Jeffery Zager	Board Member
Kurt Jones	Board Member
Jerome Burt	Board Member
Corrine Kidd	Board Member
Robbie King	Board Member
Mike McGuffin	Board Member
Brant Phillips	Board Member
Lesley Pinckney	Board Member
Clay Richards	Board Member
Kemarcus Haynes	Board Member
Liz Denning	Board Member
Molly Ruberg	Board Member
Sabrina Miller	Board Member
Samori Cummings	Board Member
Steve Proctor	Board Member
Tim Sinks	Board Member
Derrick Morgan	Board Member
Ken Barnes	Board Member
Sam Needham	Board Member
Sara Perry	Board Member

Executive Staff

Marsha Edwards	President & CEO
Suzie Browning	Chief Financial Officer
Kent Miller	Chief Operating Officer
Peter Martino	Chief Development Officer
Renee Hamilton	Chief Talent and Culture Officer



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Martha O'Bryan Center, Inc. (the "Center") which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Martha O'Bryan Center, Inc. as of June 30, 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.

Prior Period Financial Statements

The financial statements of the Center as of June 30, 2020, were audited by other auditors whose report dated March 29, 2021, expressed an unmodified opinion on those statements.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards and state financial assistance, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022 on our consideration of the Center'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 the Center's internal control over financial reporting and compliance.

Nashville, Tennessee
April 29, 2022

MARTHA O'BRYAN CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

<u>ASSETS</u>		
	2021	2020
Cash and cash equivalents	\$ 6,874,105	\$ 4,949,545
Government grants receivable	1,465,496	602,312
Other receivables	1,314	429,421
Due from Martha O'Bryan Foundation, Inc.	311,698	-
Current portion of contributions receivable	3,648,820	2,317,821
Prepaid expenses and other assets	46,654	117,069
Cash restricted as to use	3,665,754	3,339,033
Total current assets	16,013,841	11,755,201
Investment in private company common stock	1,000,000	1,000,000
Contributions receivable, excluding current portion	1,269,433	2,100,890
Property and equipment, net	22,920,065	23,154,112
Total assets	\$ 41,203,339	\$ 38,010,203
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Line of credit	\$ 39,500	\$ 432,500
Accounts payable	186,026	226,708
Accrued liabilities	286,862	813,208
Current installments of long-term debt	-	1,225,800
Current portion of capital lease obligations	3,808,000	810,475
Total current liabilities	4,320,388	3,508,691
Long-term debt, less current installments	1,519,409	2,199,546
Capital lease obligations, excluding current portion	16,339,480	20,147,480
Total liabilities	22,179,277	25,855,717
NET ASSETS		
Net assets without donor restrictions	8,476,208	2,911,093
Net assets with donor restrictions	10,547,854	9,243,393
Total net assets	19,024,062	12,154,486
Total liabilities and net assets	\$ 41,203,339	\$ 38,010,203

See notes to financial statements.

MARTHA O'BRYAN CENTER, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
Support and revenues:			
Government grants	\$ 4,241,248	\$ -	\$ 4,241,248
Donations and private grants	1,407,611	3,523,679	4,931,290
Program fees and subsidies	17,075,836	-	17,075,836
Future year and capital campaign contributions	-	1,881,238	1,881,238
Interest and miscellaneous	2,985,504	-	2,985,504
Net assets released from restrictions:			
Restrictions satisfied by incurrence of costs	4,100,456	(4,100,456)	-
Expiration of time restrictions	-	-	-
Total support and revenues	<u>29,810,655</u>	<u>1,304,461</u>	<u>31,115,116</u>
 Program services:			
Charter schools	13,873,250	-	13,873,250
Child development	916,824	-	916,824
Youth services	1,812,569	-	1,812,569
Community services	495,293	-	495,293
Family education	<u>569,957</u>	<u>-</u>	<u>569,957</u>
Total program services	17,667,893	-	17,667,893
 Supporting services:			
Management and general	6,123,943	-	6,123,943
Fundraising	<u>453,704</u>	<u>-</u>	<u>453,704</u>
Total supporting services	<u>6,577,647</u>	<u>-</u>	<u>6,577,647</u>
Total expenses	<u>24,245,540</u>	<u>-</u>	<u>24,245,540</u>
 Change in net assets	5,565,115	1,304,461	6,869,576
 Net assets, beginning of year	<u>2,911,093</u>	<u>9,243,393</u>	<u>12,154,486</u>
 Net assets, end of year	<u>\$ 8,476,208</u>	<u>\$ 10,547,854</u>	<u>\$ 19,024,062</u>

See notes to financial statements.

2020		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,315,853	\$ -	\$ 3,315,853
2,359,996	1,740,095	4,100,091
13,955,462	-	13,955,462
-	4,658,291	4,658,291
123,319	-	123,319
3,265,843	(3,265,843)	-
1,063,155	(1,063,155)	-
<u>24,083,628</u>	<u>2,069,388</u>	<u>26,153,016</u>
17,530,556	-	17,530,556
1,929,977	-	1,929,977
1,862,358	-	1,862,358
314,734	-	314,734
678,642	-	678,642
<u>22,316,267</u>	<u>-</u>	<u>22,316,267</u>
490,621	-	490,621
511,779	-	511,779
<u>1,002,400</u>	<u>-</u>	<u>1,002,400</u>
<u>23,318,667</u>	<u>-</u>	<u>23,318,667</u>
764,961	2,069,388	2,834,349
<u>2,146,132</u>	<u>7,174,005</u>	<u>9,320,137</u>
<u>\$ 2,911,093</u>	<u>\$ 9,243,393</u>	<u>\$ 12,154,486</u>

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

	Program Services					Total Program Services	Supporting Services			Total
	Charter Schools	Child Development	Youth Services	Community Services	Family Education		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 6,190,695	\$ 534,334	\$ 1,255,701	\$ 353,907	\$ 384,881	\$ 8,719,518	\$ 3,443,880	\$ 340,655	\$ 3,784,535	\$ 12,504,053
Employee benefits	1,718,407	57,926	126,868	26,010	37,252	1,966,463	425,108	32,665	457,773	2,424,236
Payroll taxes	457,894	39,601	92,882	26,536	28,182	645,095	241,892	25,129	267,021	912,116
Total personnel costs	8,366,996	631,861	1,475,451	406,453	450,315	11,331,076	4,110,880	398,449	4,509,329	15,840,405
Professional services	329,436	28,469	80,493	13,673	7,747	459,818	329,218	3,785	333,003	792,821
Insurance	72,962	6,034	19,436	4,523	4,157	107,112	24,654	5,521	30,175	137,287
Food and supplies	247,473	14,694	168,190	13,732	4,801	448,890	41,297	114	41,411	490,301
Client assistance	-	43,393	2,303	36,255	13,098	95,049	497,882	-	497,882	592,931
Communications	61,297	6,498	13,231	4,983	7,072	93,081	101,982	3,836	105,818	198,899
Utilities	244,635	8,265	13,635	5,472	7,730	279,737	78,474	6,689	85,163	364,900
Building and ground maintenance	192,604	9,986	7,085	2,837	63,583	276,095	129,368	3,464	132,832	408,927
Equipment maintenance and repair	11,142	155,487	8,278	-	-	174,907	289	-	289	175,196
Vehicles and travel	650,918	331	4,824	108	368	656,549	717	32	749	657,298
Professional development	29,612	989	2,880	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	297,652	715	97	277	357	299,098	255,371	23,639	279,010	578,108
Special education services	249,541	-	-	-	-	249,541	-	-	-	249,541
Technology services	239,315	-	-	-	-	239,315	21,662	-	21,662	260,977
Occupancy	289,920	10,102	16,666	6,688	9,447	332,823	93,499	8,175	101,674	434,497
Instructional	49,446	-	-	-	-	49,446	-	-	-	49,446
Interest	1,702,273	-	-	-	-	1,702,273	128,128	-	128,128	1,830,401
Total expenses before depreciation	13,038,141	916,824	1,812,569	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	\$ 916,824	\$ 1,812,569	\$ 495,293	\$ 569,957	\$ 17,667,893	\$ 6,123,943	\$ 453,704	\$ 6,577,647	\$ 24,245,540

See notes to financial statements.

MARTHA O'BRYAN CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services					Total Program Services	Supporting Services			Total
	Charter Schools	Child Development	Youth Services	Community Services	Family Education		Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 9,017,394	\$ 1,236,501	\$ 1,251,896	\$ 189,670	\$ 319,510	\$ 12,014,971	\$ 225,117	\$ 374,385	\$ 599,502	\$ 12,614,473
Employee benefits	2,054,101	107,511	70,546	12,519	26,513	2,271,190	14,540	25,826	40,366	2,311,556
Payroll taxes	659,124	81,822	93,103	13,906	23,570	871,525	28,924	26,238	55,162	926,687
Total personnel costs	11,730,619	1,425,834	1,415,545	216,095	369,593	15,157,686	268,581	426,449	695,030	15,852,716
Professional services	531,419	132,532	35,125	7,265	3,566	709,907	46,392	5,967	52,359	762,266
Insurance	81,325	16,914	7,038	4,544	2,147	111,968	1,987	948	2,935	114,903
Food and supplies	401,781	78,401	73,072	15,040	21,910	590,204	59,033	4,784	63,817	654,021
Client assistance	-	-	38,375	-	240,102	278,477	26,736	605	27,341	305,818
Communications	76,249	14,406	7,633	2,188	1,314	101,790	5,694	24,888	30,582	132,372
Utilities	293,433	16,674	19,677	10,170	4,805	344,759	7,356	2,121	9,477	354,236
Building and ground maintenance	8,986	45,465	15,488	12,253	4,206	86,398	7,047	1,883	8,930	95,328
Equipment maintenance and repair	20,998	104,205	35,407	28,085	9,640	198,335	16,151	4,316	20,467	218,802
Vehicles and travel	734,097	8,926	52,504	5,794	2,779	804,100	-	1,584	1,584	805,684
Professional development	82,438	2,969	18,728	48	200	104,383	2,633	-	2,633	107,016
Subscriptions	48	647	387	247	139	1,468	1,518	25	1,543	3,011
Fees, licenses, and miscellaneous	370,879	30,732	71,266	1,788	153	474,818	29,574	18,215	47,789	522,607
Special education services	87,179	-	-	-	-	87,179	-	-	-	87,179
Technology services	58,020	-	-	-	-	58,020	-	-	-	58,020
Occupancy	586,255	16,357	16,561	2,509	4,227	625,909	2,978	4,954	7,932	633,841
Instructional	279,053	-	-	-	-	279,053	-	-	-	279,053
Interest	1,480,706	-	-	-	-	1,480,706	-	-	-	1,480,706
Total expenses before depreciation	16,823,485	1,894,062	1,806,806	306,026	664,781	21,495,160	475,680	496,739	972,419	22,467,579
Depreciation	707,071	35,915	55,592	8,708	13,861	821,147	14,941	15,040	29,981	851,128
Total expenses	\$ 17,530,556	\$ 1,929,977	\$ 1,862,398	\$ 314,734	\$ 678,642	\$ 22,316,307	\$ 490,621	\$ 511,779	\$ 1,002,400	\$ 23,318,707

See notes to financial statements.

MARTHA O'BRYAN CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 6,869,576	\$ 2,834,349
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,032,061	851,128
Gifts restricted for capital campaign	(1,881,238)	(4,658,291)
Interest capitalized	31,105	6,359
(Increase) decrease in operating assets:		
Government grant receivables	(863,184)	(453,622)
Other receivables	428,107	(314,492)
Contributions receivable	(488,425)	909,304
Prepaid expenses and other assets	70,415	(102,195)
Due from Martha O'Bryan, Inc.	(311,698)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(40,682)	(191,623)
Accrued liabilities	(526,346)	(259,302)
Net cash provided (used) by operating activities	4,319,691	(1,378,385)
Cash flows from investing activities:		
Purchase of property and equipment	(798,014)	(655,651)
Net cash used in investing activities	(798,014)	(655,651)
Cash flows from financing activities:		
Collections of contributions receivable for long term purposes	1,870,121	2,074,294
Proceeds from long-term debt	-	2,787,200
Forgiveness of long-term debt	(2,787,000)	-
Additions to capital leases	39,483	-
Payments of capital leases	-	(74,868)
Net borrowings (repayments) on line of credit	(393,000)	82,000
Net cash (used in) provided by financing activities	(1,270,396)	4,868,626
Net change in cash and cash equivalents and restricted cash	2,251,281	2,834,590
Cash, cash equivalents and restricted cash at beginning of year	8,288,578	5,453,988
Cash, cash equivalents and restricted cash at end of year	\$ 10,539,859	\$ 8,288,578

See notes to financial statements.

MARTHA O'BRYAN CENTER, INC.
 STATEMENTS OF CASH FLOWS - Continued
 FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Reconciliation of cash and equivalents and restricted cash:		
Cash and equivalents	\$ 6,874,105	\$ 4,949,545
Cash restricted as to use	3,665,754	3,339,033
	\$ 10,539,859	\$ 8,288,578
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$ 1,799,296	\$ 1,471,929

During 2020, the Martha O'Bryan Foundation's support for the Center was made as a reduction of the outstanding loan payable to the Foundation totaling \$5,932.

During 2020, the Center incurred capital lease obligations of approximately \$21,665,000 for the acquisition of Explore's school building and school equipment.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

A. NATURE OF ACTIVITIES

Organization

Martha O'Bryan Center, Inc. (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 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.

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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, 2021 and 2020.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 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, 2021 and 2020.

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.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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 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 financial statements as of June 30, 2021 and 2020.

The Center files a U.S. Federal information tax return. As of June 30, 2021 and 2020, 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.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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 financial statements and disclosures.

Use of Estimates

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

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

C. LIQUIDITY AND AVAILABILITY

The following table reflects the Center's financial assets as of June 30, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,874,105	\$ 8,288,578
Government grants receivable	1,465,496	602,312
Other receivables	1,314	429,421
Due from Martha O'Bryan Foundation, Inc.	311,698	-
Contribution's receivable	4,918,253	4,418,711
Investments	<u>1,000,000</u>	<u>1,000,000</u>
Financial assets at end of year	14,570,866	14,739,022
Less: assets unavailable for general expenditures within one year:		
Net assets with donor restrictions	<u>(10,547,854)</u>	<u>(9,243,393)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>4,023,012</u>	\$ <u>5,495,629</u>

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 \$960,500 at June 30, 2021 which could provide for operating cash, if needed.

D. SIGNIFICANT SUPPORT

The Center received approximately 12% and 14% of its support and revenues from various governmental agencies and from the United Way of Nashville and Middle Tennessee for the years ended June 30, 2021 and 2020, respectively. United Way revenue is recognized in the year in which the award letter is received. Although this method of recognition is appropriate under GAAP, it may result in support recorded in one year and the related expense recorded in another year.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

D. SIGNIFICANT SUPPORT - Continued

The Center received approximately 55% in 2021 and 53% in 2020 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, 2020 was \$16,828,366 which excludes \$247,500 of capital outlay funds included with government grants revenue to be used for facility rent. Gross BEP funding for the year ended June 30, 2020 was \$13,955,462 which excludes \$242,000 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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Unconditional promises expected to be collected in:		
Less than one year	\$3,648,820	\$2,317,820
One to five years	<u>1,631,219</u>	<u>2,595,359</u>
	<u>5,280,039</u>	<u>4,913,179</u>
Less discount for net present value	<u>\$4,918,253</u>	<u>\$3,692,352</u>

Contributions receivable have been discounted using the Center's incremental borrowing rate as of June 30, 2021. The weighted average discount rate of pledges outstanding as of June 30, 2021 was 6.25%. 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, 2021 and 2020.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 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, 2021 and 2020. The Center's investment in private company common stock was valued utilizing Level 2 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 primary in oil and gas properties. The stock was contributed to assist the Center in meeting future capital needs, including capital investments and debt repayment. The common stock was valued at its estimated fair value on the date of contribution based on the appraisal of a third-party appraiser. As of fiscal year-end, the common stock did not have a public market and contains restrictions which limit the Center's ability to liquidate the investment for a period of time. Beginning in September 2021, the common stock began trading publicly, and the Center has sold a portion of the common stock.

H. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 1,150	\$ 1,150
Building and improvements	4,180,841	3,954,437
Furniture and fixtures	425,539	425,539
Equipment	1,711,362	1,143,753
Automobiles	179,817	179,817
Building under capital lease	21,454,000	21,450,000
Equipment under capital lease	214,610	214,610
Construction in progress	<u>541,877</u>	<u>541,877</u>
	28,709,196	27,911,183
Accumulated depreciation	<u>(5,789,131)</u>	<u>(4,757,071)</u>
	<u>\$ 22,920,065</u>	<u>\$ 23,154,112</u>

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

H. PROPERTY AND EQUIPMENT - Continued

Construction in progress at June 30, 2021 and 2020 consisted mainly of professional fees for the initial costs for improvements to 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. Subsequent to year end, the Center created an entity MOBC Boscobel to hold the building and related transactions. MOBC Boscobel received a \$3 million note payable from the Low Income Investment Fund (LIIF) and net market tax fund financing for approximately \$2 million to fund the construction. Both loans were obtained in December 2021. In addition, the Martha O'Bryan Foundation, Inc. loaned the Center \$500,000 in order to cover short-term funding of construction of the building.

I. 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% (4% at June 30, 2021). Amounts outstanding under this line of credit were \$39,500 and \$432,500 at June 30, 2021 and 2020, respectively. The line of credit expires in March 2023.

J. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Paycheck Protection Program Loan

During 2020, the Center was granted a loan from a bank in the amount of \$2,787,200, under the Small Business Center Administrations ("SBA") Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness is reduced if the borrower terminates employees or reduces salaries during the period established by the CARES Act.

The PPP loan, if unforgiven, is payable over two years at a fixed rate of interest of 1%, with payments commencing in November 2020, and a final payment equal to the balance of unpaid principal plus accrued and unpaid interest due in April 2022. As of June 30, 2020, the outstanding balance of the PPP loan was \$2,787,200. The loan was forgiven in full in fiscal year 2021.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

J. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS - Continued

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 the 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.

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, 2020, the net book value of the building and equipment under the capital leases totaled \$20,304,943.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

J. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS - Continued

A summary of approximate future minimum payments to MDHA under these leases for years subsequent to June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	
2022	\$ 3,808,000
2023	1,308,000
2024	1,308,000
2025	1,308,000
2026	1,778,250
2027 – 2031	9,675,000
2032 – 2036	9,675,000
2037 – 2041	9,675,000
2042 – 2046	9,675,000
2046 - 2049	<u>4,353,750</u>
	52,564,000
Amount representing interest	<u>(32,416,520)</u>
	<u>\$ 20,147,480</u>

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 2021, capital lease shortfall payments of approximately \$881,000 was capitalized under the obligation to MDHA.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

K. NET ASSETS WITH DONOR RESTRICTIONS

Assets with donor restrictions are available for the following purposes:

	2021	2020
Subject to expenditure for specified purpose:		
Capital assets	\$ 8,935,406	\$8,597,567
Academic student unions/post-secondary programs	56,529	123,318
Thrive & K-8	-	98,293
Adult education	1,995	42,212
Joyful Noise	-	4,473
Child development	-	33,104
Crisis social worker	-	31,619
Other	1,553,924	312,807
	\$10,547,854	\$9,243,393

L. 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 10.46% of covered payroll to the plan for 2021 and 2020.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

L. 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 2021 and 2020. During 2021 and 2020, The Center placed the actuarially determined contribution rate of 2.02% and 1.97% of covered payroll into the pension plan and placed 1.94% and 2.03% 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 12.34% for 2021 and 2020 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 \$835,000 and \$612,000 for 2021 and 2020, respectively.

M. 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 \$29,077 through June 20, 2025, 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 \$434,497 and \$372,164 for 2021 and 2020, respectively. Additionally, the Center also rents busses under short term contracts for transporting students. Rent expense under these leases totaled \$650,375 and \$776,359 for 2021 and 2020, respectively.

MARTHA O'BRYAN CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

M. LEASES - Continued

A summary of approximate future minimum payments under these leases as of June 30, 2021 is as follows:

<u>Year Ending June 30,</u>	
2022	\$ 367,880
2023	375,238
2024	382,742
2025	<u>390,397</u>
	<u>\$1,516,257</u>

N. 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 \$46,093 and \$42,862 was received from the Foundation during 2021 and 2020, respectively.

O. CURRENT ECONOMIC ENVIRONMENT

During March 2020, a global pandemic was declared related to the rapidly growing outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions across the nation as federal, state, and local governments react to the public health crisis, creating significant uncertainties in the economy. This situation is rapidly changing, and additional impacts may arise. While the disruption is currently expected to be temporary, there is uncertainty around its duration. The ultimate future impact, if any, of the pandemic on results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

P. SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 29, 2022, the date the financial statements were available for issuance, and has determined that, other than the items discussed in Notes G and H, there were no other 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, 2021

Federal or State Grantor/Program Title/ Pass-through Grantor	Federal CFDA Number	Grantor's Number	Expenditures
Expenditures of Federal Awards:			
<u>U.S Department of Agriculture:</u>			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program (1)	10.555	N/A	\$ 462,142
Total Child Nutrition Cluster			462,142
Supplemental Nutrition Assistance Program			
Employment & Training Program (2)	10.537	N/A	10,791
Child and Adult Care Food Program (3)	10.558	N/A	2,700
Total U.S. Department of Agriculture			475,633
<u>U.S. Department of Treasury</u>			
Coronavirus Relief Fund *			
Mayor's CARES Act (4)	21.019	N/A	406,806
MDHA CARES Act (5)	21.019	N/A	60,932
Tennessee CARES Act (6)	21.019	N/A	164,699
Remote Technology Grant (1)	21.019	N/A	67,804
Mayor's CARES Act (7)	21.019	N/A	67,486
Total U.S. Department of Treasury			767,727
<u>U.S. Department of Education</u>			
Title I Grants to Local Educational Agencies (8)	84.010	N/A	441,575
Special Education Grants to States (8)	84.027	N/A	168,143
21st Century Community Learning Centers (7)	84.287C	33109-01919	252,840
Title II, Part A Improving Teacher Quality State Grants (8)	84.367	N/A	61,640
Education Stabilization Fund (ESF)			
Governor's Emergency Education Relief Fund (GEER) (1)	84.425C		
Elementary and Secondary Education Emergency			14,196
Relief Fund (ESSER) (8)	84.425D		189,026
Total Education Stabilization Fund			203,222
Total U.S. Department of Education			1,127,420
<u>U.S. Department of Human Services</u>			
Temporary Assistance for Needy Families (3) *	93.558	N/A	1,302,765
Total U.S. Department of Human Services			1,302,765

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	Federal CFDA Number	Grantor's Number	Expenditures
<u>Corporation for National and Community Service</u>			
AmeriCorps (9)	94.006	31701-11913	230,978
Total Corporation for National and Community Service			230,978
TOTAL FEDERAL AWARDS			3,904,523
Expenditures of State Financial Assistance:			
<u>Tennessee Department of Human Services:</u>			
Family Empowerment Program	N/A	GR1238698	147,551
<u>Tennessee Department of Child Services:</u>			
Tied Together Program	N/A	GR1238698	50,000
<u>Tennessee Department of Education:</u>			
Basic Education Program - District Funding	N/A	N/A	16,828,336
Basic Education Program - Capital Outlay	N/A	N/A	247,500
Lottery for Education Afterschool Programs	N/A	33119-01512	378,887
Total State of Tennessee Department of Education			17,454,723
TOTAL STATE FINANCIAL ASSISTANCE			17,652,274
TOTAL EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE			\$ 21,556,797

* - 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 Metropolitan Government of Nashville and Davidson County and the United Way
- (5) - Passed through the Metropolitan Development and Housing Agency
- (6) - Passed through the Tennessee Department of Human Services
- (7) - Passed through Metro Nashville Public Schools
- (8) - Passed through the Tennessee Department of Education and Metro Nashville Public Schools
- (9) - Passed through the Tennessee Department of Finance and Administration

MARTHA O'BRYAN CENTER, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2021

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. (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 POLICES

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 2021 in the form of non-cash assistance.

The Center elected to not use the 10% de minimus 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.

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 financial statements of Martha O’Bryan Center, Inc. (the “Center”), which comprise the statements of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 opinion on the 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 Center’s 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Nashville, Tennessee
April 29, 2022



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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of Martha O'Bryan Center, Inc. (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, 2021. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Center's major federal programs based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

The Center's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Nashville, Tennessee
April 29, 2022

MARTHA O'BRYAN CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
Material weakness(es) identified? yes x no
Significant deficiency(ies) identified? yes x none reported

Noncompliance material to financial statements noted? yes x 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)? x yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.558	Temporary Assistance for Needy Families
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? x yes no

MARTHA O'BRYAN CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2021

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

None reported.

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Item # 2021-001

Temporary Assistance for Needy Families
CFDA No. 93.558
U.S. Department of Human Services

Criteria

In order to receive rent relief assistance under this program, an individual must meet certain eligibility requirements, including but not limited to living within certain zip codes.

Condition and Context

A recipient of rent relief was not eligible to receive assistance under this program. The recipient did not live within the approved zip codes, and was not enrolled in the Family Success Network that supports this program.

Questioned Cost

\$508

Cause

Administrative error. The recipient was eligible for a different program and received assistance through this program in error.

Effect

The Center was not in compliance with the eligibility requirements for this particular recipient of rent assistance.

Recommendation

We recommend the Center review disbursements under the program to ensure recipients are eligible for the assistance received.

View of Responsible Officials and Planned Corrective Actions

Management will ensure that disbursements are reviewed more carefully and qualify as eligible recipients for assistance.

MARTHA O'BRYAN CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2021

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS -
Continued**

Item # 2021-002

Temporary Assistance for Needy Families
CFDA No. 93.558
U.S. Department of Human Services

Criteria

In order to receive assistance under this program, an individual must meet certain eligibility requirements, including but not limited to being the caregiver/guardian for a minor child who resides with the adult, and living within certain zip codes. The Center must obtain proper records in order to determine eligibility for the program.

Condition and Context

For 6 out of 14 program recipients, the Center was not able to provide support to prove the recipients were the caregiver or guardian of the minor child and the child resided with the caregiver or guardian. For 1 out of 14 program recipients, the Center was not able to provide support that the recipient lived within the approved zip codes.

Questioned Cost

None.

Cause

The above finding resulted primarily due to the Center not properly obtaining and/or retaining documentation records to support eligibility for the program.

Effect

The Center was not in compliance with maintaining documentation to support eligibility requirements for the program.

Recommendation

We recommend the Center obtain proper documentation to support eligibility requirements for recipients of the program and retain the documentation in accordance with their documentation retention policies and procedures.

View of Responsible Officials and Planned Corrective Actions

Management will put in to affect the appropriate requirements for program recipients and documentation will be maintained to support that.

MARTHA O'BRYAN CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
YEAR ENDED JUNE 30, 2021

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None reported.



Management's Corrective Action Plan

2021-001 Eligibility Requirements

Corrective Action Management will ensure that disbursements are reviewed more carefully and qualify as eligible recipients for assistance.

Anticipated
Completion Date June 30, 2022

Name of Contact
Person Marsha Edwards, CEO
Martha O'Bryan Center, Inc.
(615) 254-1791

2021-002 Support for Eligibility

Corrective Action Management will put in to affect the appropriate requirements for program recipients and documentation will be maintained to support that.

Anticipated
Completion Date June 30, 2022

Name of Contact
Person Marsha Edwards, President and CEO
Martha O'Bryan Center, Inc.
(615) 254-1791

Respectfully Submitted,

Marsha Edwards, CEO