MARTHA O'BRYAN CENTER, INC.

Financial Statements and Supplemental Information

June 30, 2019 and 2018

(With Independent Auditors' Report Thereon)

MAKE A GOOD BUSINESS BETTER

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, 2019

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
Charles Barrett	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

Executive Staff

Marsha Edwards	President & CEO
Suzie Browning	Chief Financial Officer
Peter Martino	Chief Development Officer
Kent Miller	Chief Program Officer

LBMC MAKE A GOOD BUSINESS BETTER

INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
Martha O'Bryan Center, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Martha O'Bryan Center, Inc. (the "Center") which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 February 12, 2020 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.

LBMC, PC

Brentwood, Tennessee
February 12, 2020

MARTHA O'BRYAN CENTER, INC.

Statements of Financial Position

June 30, 2019 and 2018

Assets

	2019	2018
Cash and cash equivalents	$ 2,454,632	$ 2,172,948
Government grants receivable	148,690	577,006
Other receivables	114,929	79,318
Unconditional promises to give, net	3,744,018	262,000
Prepaid expenses and other assets	14,874	6,078
Cash restricted as to use	2,999,356	-
Property and equipment, net	1,684,979	1,878,384
	$ 11,161,478	$ 4,975,734

Liabilities and Net Assets

	2019	2018
Liabilities:		
Accounts payable	$ 412,399	$ 109,785
Accrued liabilities	1,072,510	465,506
Loan payable to Martha O'Bryan Foundation	5,932	39,718
Line of credit	350,500	600,000
Total liabilities	1,841,341	1,215,009
Net assets:		
Without donor restrictions	2,146,132	2,953,531
With donor restrictions	7,174,005	807,194
Total net assets	9,320,137	3,760,725
	$ 11,161,478	$ 4,975,734

See accompanying notes to the financial statements.

MARTHA O'BRYAN CENTER, INC.

Statements of Activities

Years ended June 30, 2019 and 2018

	2019			2018		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Support and revenues:						
Government grants	$ 2,868,409	$ -	$ 2,868,409	$ 2,211,124	$ -	$ 2,211,124
Donations and private grants	3,735,843	770,905	4,506,748	2,588,989	869,767	3,458,756
Program fees and subsidies	12,092,013	-	12,092,013	9,668,460	-	9,668,460
Future year and capital campaign contributions	-	6,743,374	6,743,374	-	262,000	262,000
In-kind donations	13,959	-	13,959	132,396	-	132,396
Interest and miscellaneous	233,146	-	233,146	121,274	-	121,274
Net assets released from restrictions:						
Restrictions satisfied by incurrence of costs	885,468	(885,468)	-	1,445,401	(1,445,401)	-
Expiration of time restrictions	262,000	(262,000)	-	1,112,499	(1,112,499)	-
Total support and revenues	20,090,838	6,366,811	26,457,649	17,280,143	(1,426,133)	15,854,010
Program services:						
Charter schools	14,147,457	-	14,147,457	10,323,961	-	10,323,961
Child development	121,419	-	121,419	106,308	-	106,308
Youth services	2,740,340	-	2,740,340	2,457,970	-	2,457,970
Community services	87,911	-	87,911	216,731	-	216,731
Family education	1,137,448	-	1,137,448	1,165,210	-	1,165,210
Total program services	18,234,575	-	18,234,575	14,270,180	-	14,270,180
Supporting services:						
Management and general	2,167,478	-	2,167,478	2,247,785	-	2,247,785
Fundraising	496,184	-	496,184	329,240	-	329,240
Total supporting services	2,663,662	-	2,663,662	2,577,025	-	2,577,025
Total expenses	20,898,237	-	20,898,237	16,847,205	-	16,847,205
Change in net assets	(807,399)	6,366,811	5,559,412	432,938	(1,426,133)	(993,195)
Net assets - beginning of year	2,953,531	807,194	3,760,725	2,520,593	2,233,327	4,753,920
Net assets - end of year	$ 2,146,132	$ 7,174,005	$ 9,320,137	$ 2,953,531	$ 807,194	$ 3,760,725

See accompanying notes to the financial statements.

MARTHA O'BRYAN CENTER, INC.

Statement of Functional Expenses

Year ended June 30, 2019

	Program Services						Supporting Services			
	Charter Schools	Child Development	Youth Services	Community Services	Family Education	Total	Management and General	Fundraising	Total	Grand Total
Salaries	$ 7,723,457	$ 63,256	$ 1,485,507	$ 61,338	$ 816,145	$ 10,149,703	$ 1,031,597	$ 313,597	$ 1,345,194	$ 11,494,897
Employee benefits	1,840,117	10,391	126,203	1,752	69,585	2,048,048	85,688	24,396	110,084	2,158,132
Payroll taxes	564,908	4,674	111,554	4,639	60,992	746,767	74,323	23,609	97,932	844,699
Total personnel costs	10,128,482	78,321	1,723,264	67,729	946,722	12,944,518	1,191,608	361,602	1,553,210	14,497,728
Professional services	488,535	-	4,068	-	32,230	524,833	106,847	-	106,847	631,680
Insurance	56,526	-	-	-	-	56,526	32,984	-	32,984	89,510
Food and supplies	426,512	10,341	104,709	5,933	37,804	585,299	141,942	90,265	232,207	817,506
Client assistance	-	4,096	12,099	19	47,895	64,109	-	-	-	64,109
Communications	14,472	-	7,807	-	8,011	30,290	39,397	-	39,397	69,687
Utilities	258,991	-	411	-	3,175	262,577	71,738	-	71,738	334,315
Building and ground maintenance	2,550	-	46,202	31	3,321	52,104	96,386	-	96,386	148,490
Equipment maintenance and repair	27,264	-	10,765	-	46,259	84,288	202,706	27,018	229,724	314,012
Vehicles and travel	870,423	323	119,404	178	8,552	998,880	30,099	1,098	31,197	1,030,077
Professional development	221,893	252	12,662	-	3,052	237,859	11,827	-	11,827	249,686
Subscriptions	395	-	262	-	-	657	1,706	439	2,145	2,802
Fees, licenses, and miscellaneous	1,074,248	28,086	3,780	62	427	1,106,603	92,490	15,762	108,252	1,214,855
Special education services	81,772	-	-	-	-	81,772	-	-	-	81,772
Technology services	14,298	-	-	-	-	14,298	-	-	-	14,298
In-kind gifts	-	-	-	13,959	-	13,959	-	-	-	13,959
Instructional	355,522	-	264	-	-	355,786	-	-	-	355,786
Afterschool programming	-	-	694,643	-	-	694,643	-	-	-	694,643
Total expenses before depreciation	14,021,883	121,419	2,740,340	87,911	1,137,448	18,109,001	2,019,730	496,184	2,515,914	20,624,915
Depreciation	125,574	-	-	-	-	125,574	147,748	-	147,748	273,322
Total	$ 14,147,457	$ 121,419	$ 2,740,340	$ 87,911	$ 1,137,448	$ 18,234,575	$ 2,167,478	$ 496,184	$ 2,663,662	$ 20,898,237

See accompanying notes to the financial statements.

MARTHA O'BRYAN CENTER, INC.

Statement of Functional Expenses

Year ended June 30, 2018

	Program Services						Supporting Services			
	Charter Schools	Child Development	Youth Services	Community Services	Family Education	Total	Management and General	Fundraising	Total	Grand Total
Salaries	$ 5,742,454	$ 75,102	$ 1,326,948	$ 66,088	$ 837,501	$ 8,048,093	$ 965,486	$ 188,954	$ 1,154,440	$ 9,202,533
Employee benefits	1,114,850	7,368	91,449	6,996	70,543	1,291,206	68,397	20,551	88,948	1,380,154
Payroll taxes	419,799	5,488	97,715	4,712	60,877	588,591	66,874	13,396	80,270	668,861
Total personnel costs	7,277,103	87,958	1,516,112	77,796	968,921	9,927,890	1,100,757	222,901	1,323,658	11,251,548
Professional services	301,183	36	27,474	36	50,853	379,582	127,060	23,616	150,676	530,258
Insurance	69,152	-	1,142	-	-	70,294	28,795	-	28,795	99,089
Food and supplies	358,838	6,107	149,549	6,423	24,496	545,413	62,888	40,026	102,914	648,327
Client assistance	-	-	9,013	-	91,379	100,392	445	-	445	100,837
Communications	7,826	-	6,836	-	12,968	27,630	51,901	106	52,007	79,637
Utilities	26,019	-	-	-	2,353	28,372	53,617	-	53,617	81,989
Building and grounds maintenance	-	-	16,873	-	1,997	18,870	37,561	-	37,561	56,431
Equipment maintenance and repair	320	-	7,939	-	6,327	14,586	61,430	12,877	74,307	88,893
Vehicles and travel	748,580	-	29,975	-	3,420	781,975	17,361	648	18,009	799,984
Professional development	80,053	-	18,857	-	34	98,944	27	-	27	98,971
Subscriptions	-	-	243	-	-	243	4,689	7,164	11,853	12,096
Fees, licenses, and miscellaneous	1,017,541	12,207	468	80	2,462	1,032,758	82,667	21,902	104,569	1,137,327
Special education services	58,453	-	-	-	-	58,453	-	-	-	58,453
Technology services	15,664	-	-	-	-	15,664	-	-	-	15,664
In-kind gifts	-	-	-	132,396	-	132,396	-	-	-	132,396
Instructional	253,609	-	-	-	-	253,609	-	-	-	253,609
Afterschool programming	-	-	673,489	-	-	673,489	-	-	-	673,489
Provision for doubtful accounts	-	-	-	-	-	-	461,431	-	461,431	461,431
Total expenses before depreciation	10,214,341	106,308	2,457,970	216,731	1,165,210	14,160,560	2,090,629	329,240	2,419,869	16,580,429
Depreciation	109,620	-	-	-	-	109,620	157,156	-	157,156	266,776
Total	$ 10,323,961	$ 106,308	$ 2,457,970	$ 216,731	$ 1,165,210	$ 14,270,180	$ 2,247,785	$ 329,240	$ 2,577,025	$ 16,847,205

See accompanying notes to the financial statements.

MARTHA O'BRYAN CENTER, INC.

Statements of Cash Flows

Years ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ 5,559,412	$ (993,195)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	273,322	266,776
Provision for doubtful accounts	-	461,431
Gifts restricted for capital campaign	(3,028,849)	-
(Increase) decrease in operating assets:		
Government grant receivables	428,316	(218,492)
Other receivables	(35,611)	129,624
Unconditional promises to give, net	(3,482,018)	710,303
Prepaid expenses and other assets	(8,796)	109,514
Increase (decrease) in operating liabilities:		
Accounts payable	268,828	(240,337)
Accrued liabilities	607,004	(53,729)
Total adjustments	(4,977,804)	1,165,090
Net cash provided by operating activities	581,608	171,895
Cash flows from investing activities -		
Purchases of property and equipment	(79,917)	(107,864)
Net cash used by investing activities	(79,917)	(107,864)
Cash flows from financing activities:		
Gifts restricted for capital campaign	3,028,849	-
Net borrowings (repayments) on line of credit	(249,500)	200,000
Net cash provided by financing activities	2,779,349	200,000
Change in cash, cash equivalents and restricted cash	3,281,040	264,031
Cash, cash equivalents and restricted cash at beginning of year	2,172,948	1,908,917
Cash, cash equivalents and restricted cash at end of year	$ 5,453,988	$ 2,172,948

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same shown above:

	2019	2018
Cash and cash equivalents	$ 2,454,632	$ 2,172,948
Cash restricted as to use	2,999,356	-
	$ 5,453,988	$ 2,172,948

See accompanying notes to the financial statements.

(1) Nature of activities

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, family education, and a family resource center. 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 plans to provide 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.

(2) 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.

(a) Recently adopted accounting pronouncements

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard changes certain presentation and disclosure requirements of not-for-profit entities. The primary changes are a reduction in the number of net asset classes from three to two (with donor restrictions and without donor restrictions), reporting of underwater amounts of donor-restricted endowment funds in net assets with donor restrictions, requiring enhanced disclosures about how a not-for-profit entity manages its liquidity and requiring reporting of expenses by functional and natural classification, as well as enhanced endowment disclosures. This standard has been adopted effective July 1, 2018 and applied retrospectively to fiscal 2018. The primary effect of adopting ASU 2016-14 was enhanced disclosures.

In August 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 is intended to address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017. It was adopted effective July 1, 2018 and applied retrospectively to fiscal 2018.

(b) 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.

(c) 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.

(d) 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, 2019 and 2018.

(e) 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 $500. 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 three to ten years. 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 unrestricted net assets.

(f) 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, 2019 and 2018.

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.

(g) Donated materials and services

Donated materials are recognized as contributions 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.

(h) 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 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, 2019 and 2018.

The Center files a U.S. Federal information tax return. As of June 30, 2019 and 2018, 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.

(i) 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.

(j) 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.

(k) <u>New accounting standards</u>

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09, along with subsequent amendments, supersedes most existing revenue recognition guidance and outlines a single comprehensive standard for revenue recognition across all industries. In addition, ASU 2014-09 requires expanded quantitative and qualitative disclosures, including disclosure about the nature, amount, timing, and uncertainty of revenue. This standard is effective for fiscal years beginning after December 15, 2018 and will be adopted by the Center for fiscal year 2020. The Center continues to evaluate its population of revenue sources to assess the potential effects ASU 2014-09 will have on its financial statements and related disclosures; however, the Center expects the primary impact to be in the form of additional financial statement disclosures.

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 operations). 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 is effective for the Center beginning July 1, 2021. Management of the Center is currently evaluating the impact adoption of ASU 2016-02 will have on its financial statements and disclosures.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 is intended to clarify (1) when transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of contribution accounting guidance, or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. ASU No. 2018-08 will be adopted by the Center for fiscal year 2020 for transactions in which the Center serves as a resource recipient, and for its fiscal year 2021, for transactions in which the Center serves as a resource provider. Early adoption is permitted.

(l) <u>Use of estimates</u>

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.

(m) Events occurring after reporting date

The Center has evaluated events and transactions that occurred between June 30, 2019 and February 12, 2020, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

(3) Liquidity and availability

The following table reflects the Center's financial assets as of June 30, 2019 and 2018, 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.

	2019	2018
Cash and cash equivalents	$ 5,453,988	$ 2,172,944
Government grants receivable	148,690	577,006
Other receivables	114,929	79,318
Unconditional promises to give, net	3,744,018	262,000
Financial assets at end of year	9,461,625	3,091,268
Less: assets unavailable for general expenditures within one year:		
Net assets with donor restrictions	(7,174,005)	(807,194)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,287,620	$ 2,284,074

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 $649,500 at June 30, 2019 which could provide for operating cash, if needed.

(4) Significant support

The Center received approximately 22% and 23% 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, 2019 and 2018, 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.

The Center received approximately 60% in 2019 and 61% in 2018 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, 2019 was $12,092,013 which excludes $199,000 of capital outlay funds included with government grants revenue to be used for facility rent. Gross BEP funding for the year ended June 30, 2018 was $9,668,460 which excludes $170,000 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.

(5) Unconditional promises to give

A summary of unconditional promises to give as of June 30, 2019 and 2018 is as follows:

	2019	2018
Unconditional promises expected to be collected in:		
Less than one year	$ 1,828,906	$ 262,000
One to five years	2,312,828	-
	4,141,734	262,000
Less discount for net present value	(397,716)	-
	$ 3,744,018	$ 262,000

Unconditional promises to give have been discounted using the Center's incremental borrowing rate as of June 30, 2019. The weighted average discount rate of pledges outstanding as of June 30, 2019 was 6.25%. The majority of the Center's unconditional promises to give are restricted by donors for the acquisition of property and equipment. Management determined that an allowance for uncollectible accounts was not necessary at June 30, 2019 and 2018.

(6) Property and equipment

Property and equipment at June 30, 2019 and 2018 is as follows:

	2019	2018
Land	$ 1,150	$ 1,150
Building and improvements	3,954,437	3,954,437
Furniture and fixtures	425,539	377,909
Equipment	1,070,208	1,043,776
Automobiles	115,533	115,533
Office equipment	41,515	35,623
	5,608,382	5,528,428
Accumulated depreciation	(3,923,403)	(3,650,044)
	$ 1,684,979	$ 1,878,384

(7) 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. During 2019, this agreement was amended to extend the maturity date through April 2020. 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% (6.25% at June 30, 2019). Amounts outstanding under this line of credit were $350,500 and $600,000 at June 30, 2019 and 2018, respectively.

(8) Net assets with donor restrictions

Assets with donor restrictions are available for the following purposes:

	2019	2018
Subject to passage of time	$ 1,069,480	$ 263,000
Subject to expenditure for specified purpose:		
Capital assets	5,760,160	-
Academic student unions/post-secondary programs	156,682	259,754
Thrive & K-8	40,560	64,491
Adult education	35,463	55,033
Joyful Noise	60,966	75,143
Tied Together	6,228	28,150
Child development	2,574	8,111
Digital empowerment programs	-	999
Crisis social worker	28,127	48,761
Fundraising	-	2,929
Other	13,765	823
	$ 7,174,005	$ 807,194

Cash and cash equivalents included $3,485,650 and $618,897 of cash with donor restrictions at June 30, 2019 and 2018, respectively.

(9) Retirement plans

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% and 9.04% of covered payroll to the plan for 2019 and 2018, respectively.

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 2019 and 2018. During 2019, The Center placed the actuarially determined contribution rate of 1.94% of covered payroll into the pension plan and placed 2.06% percent of covered payroll into the Pension Stabilization Reserve Trust.

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 2019 and 6.71% for 2018 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 $712,265 and $529,687 for 2019 and 2018, respectively.

(10) Leases

The Center rents educational space from the Metropolitan Government of Nashville for its charter schools, EEP and Explore. The EEP lease requires monthly payments of $28,507 through June 20, 2025, subject to annual increases of 2%. The Explore lease requires monthly payments of $9,000 through June 30, 2018. On July 1, 2018, Explore renewed the lease through June 30, 2019. The Center also leases office equipment under the terms of non-cancelable operating leases. Rent expense under these leases totaled $455,722 and $615,662 for 2019 and 2018, respectively. Additionally, the Center also rents busses under short term contracts for transporting students. Rent expense under these leases totaled $986,455 and $769,809 for 2019 and 2018, respectively.

A summary of approximate future minimum payments under these leases as of June 30, 2019 is as follows:

	Amount
2020	$ 365,000
2021	372,000
2022	379,000
2023	374,000
2024	378,000
2025 and later years	778,000
	$ 2,646,000

During 2019, the Center entered into a leasing arrangement with Metropolitan Development and Housing Agency to provide a new school building for Explore in fiscal 2020. See Footnote 14.

(11) Donated materials and services

The value of donated materials and services included in the financial statements for the years ended June 30 are as follows:

	2019	2018
Support and revenue:		
In-kind contributions	$ 13,959	$ 132,396
Expenses:		
Pre-K teacher subsidies for early learning center	$ 13,959	$ 62,000

(12) 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 $35,572 and $65,119 was received from the Foundation during 2019 and 2018, respectively.

As of June 30, 2019 and 2018, the Foundation had a loan from the Center totaling $5,932 and $39,718, respectively. There are no specific terms assigned to the loan arrangement; however, for 2019 and 2018, interest on the loan was charged at a rate of 3.05%.

(13) Supplemental disclosures of cash flow statement information

	2019	2018
Cash paid for interest	$ 28,130	$ 31,380

During 2019 and 2018, the Martha O'Bryan Foundation's support for the Center was made as a reduction of the outstanding loan payable to the Foundation totaling $33,786 and $60,282, respectively.

(14) Subsequent event

The Metropolitan Development Housing Authority ("MDHA") has previously developed the *Envision Cayce Master Plan* (the "Plan") that focuses on the revitalization of Cayce Homes, Kirkpatrick Park, and areas which surround the Center. A portion of the Plan includes a community school (the "School") to be located within this redeveloped area. During September 2018, MDHA entered into a contract with a third party (the "Developer") for the construction of the School. The School will be owned by the Developer and leased to MDHA over a period of 30 years. The Developer will also furnish the School with furniture and equipment (the "Equipment") which will also be leased to MDHA for a period of ten years. The School will be built on MDHA owned land that will be leased to the Developer for a period of 99 years (the "Land Lease"). The School and Equipment are to be financed by MDHA and the Developer through the issuance of New Market Tax Credits. The agreements between MDHA and the Developer include a purchase option whereby MDHA may purchase the School and Equipment from the Developer.

Concurrent with the agreements discussed above, the Center entered into the following sub-lease agreements with MDHA:

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 sub-lease*: The sub-lease for the School 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 limitation each month is accrued under a separate term loan payable to MDHA. 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.**

Both the School and Equipment leases commenced in August 2019 when construction of the School was completed and Explore took occupancy of the building.

The Center also has an option to purchase the School, the Equipment and the Developer's interest in the Land Lease from the Developer. The option period begins September 24, 2025 and continues for a period of 180 days which is meant to coincide with the final realization of benefits generated by the New Market Tax Credit loans MDHA and the Developer used to finance the development of the School and purchase of the Equipment. The purchase price is equal to the greater of the fair market value of the School and Equipment or the outstanding balances of certain loan balances held by MDHA at the purchase option date.

Concurrent to entering into the above agreements, the Center also entered into a promissory note payable to MDHA for $5,000,000. The Center did not receive cash proceeds or other value in exchange for this loan agreement. Therefore, payments required under the note payable are considered additional rent payments for the School lease. The note payable is due in three installments as follows: $1,200,000 on November 1, 2019, $1,300,000 on November 1, 2020 and $2,500,000 on November 1, 2021. The Center made the first payment on November 1, 2019.

The School and Equipment leases were determined by management to meet the criteria for a capital lease. As a result, the Center recorded a capital asset and lease liability totaling approximately $25,000,000 for the School and approximately $215,000 for the Equipment in August 2019. However, final determinations of value for the School are pending third party valuations and are subject to change. Rent expense will be recorded on a straight-line basis from lease commencement through the end of the lease term.

A summary of approximate future minimum payments under these leases for years subsequent to June 30, 2019, including amounts due under the related $5,000,000 loan to MDHA, are as follows:

	Amount
2020	$ 2,181,000
2021	2,608,000
2022	3,808,000
2023	1,308,000
2024	1,308,000
2025 and later years	46,140,000
	$ 57,353,000

MARTHA O'BRYAN CENTER, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance

For the Year Ended June 30, 2019

Federal or State Grantor/Program Title/ Pass-through Grantor	Federal CFDA Number	Grantor's Number	Expenditures
Expenditures of Federal Awards:			
U.S. Department of Education:			
Title I Grants to Local Educational Agencies (Passed through Metro Nashville Public Schools)	84.010	N/A	$ 588,339
Special Education Grants to States (Passed through State of Tennessee Department of Education)	84.027	N/A	195,384
21st Century Community Learning Centers (Passed through State of Tennessee Department of Education)	84.287C	33109-01919	240,100
Total U.S. Department of Education			1,023,823
U.S. Department of Agriculture :			
Child Nutrition Cluster:			
National School Lunch Program (Passed through Tennessee Department of Education)	10.555	N/A	67,324
Summer Food Service Program for Children (Passed through Tennessee Department of Human Services)	10.559	N/A	12,828
Total Child Nutrition Cluster			80,152
Child and Adult Care Food Program	10.558	N/A	115,510
Total U.S. Department of Agriculture			195,662
U.S. Department of Housing and Urban Development:			
Jobs-Plus Pilot Initiative (Passed through Metropolitan Development and Housing Agency)	14.895	FR-5900-N-10	230,134
U.S. Department of Labor:			
WIA/WIOA Youth Activities (Passed through Metropolitan Government of Nashville and Davidson County)	17.259	N/A	169,439
U.S. Department of Justice:			
Crime Victim Assistance (Passed through Metropolitan Government of Nashville and Davidson County)	16.575	35496	186,237
Crime Victim Assistance (Passed through Metropolitan Government of Nashville and Davidson County)	16.575	37740	52,962
Total U.S. Department of Justice			239,199

See accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

MARTHA O'BRYAN CENTER, INC.

Schedule of Expenditures of Federal Awards and State Financial Assistance, continued

For the Year Ended June 30, 2019

Federal or State Grantor/Program Title/ Pass-through Grantor	Federal CFDA Number	Grantor's Number	Expenditures
Expenditures of Federal Awards, continued:			
Corporation for National and Community Service:			
AmeriCorps (Passed through Tennessee Department of Finance and Administration	94.006	31701-11712	18,226
AmeriCorps (Passed through Tennessee Department of Finance and Administration	94.006	31701-11813	167,842
Total Corporation for National and community Service			186,068
Total expenditures of federal awards			2,044,325
Expenditures of State Financial Assistance:			
Tennessee Department of Children Services:			
Tied Together Program	N/A	GR1238698	100,000
State of Tennessee Department of Education:			
Basic Education Program - Capital Outlay	N/A	N/A	199,000
High-Quality Charter School Facilities Program	N/A	N/A	100,000
LEAPs	N/A	33119-01512	245,500
Total expenditures of state financial assistance			644,500
Total expenditures of federal awards and state financial assistance			$ 2,688,825

See accompanying notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance

June 30, 2019

(1) 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 Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

(2) 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 2019 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.

LBMC MAKE A GOOD BUSINESS BETTER

Independent Auditors' 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 Trustees 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, 2019, 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 February 12, 2020.

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) to determine the 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 of 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.

LBMC, PC

Brentwood, Tennessee
February 12, 2020

Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

The Board of Trustees 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 its major federal programs for the year ended June 30, 2019. 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 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 the Center's major federal programs for the year ended June 30, 2019.

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.

LBMC, PC

Brentwood, Tennessee
February 12, 2020

MARTHA O'BRYAN CENTER, INC.

Schedule of Findings and Questioned Costs

June 30, 2019

(1) SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' 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 programs:		
Material weakness(es) identified?	___yes	_x_no
Significant deficiency(ies) identified?	___yes	_x_none reported
Type of auditors' report issued on compliance for major programs	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 for the Center for the fiscal year ended June 30, 2019 are:

CFDA Number	Name of Federal Program
84.010	Title 1 Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?	_x_yes	___no

(2) FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None noted.

(3) MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None noted.

(4) SUMMARY OF PRIOR AUDIT FINDINGS

None noted.