

***WAYNE REED CHRISTIAN  
CHILDCARE CENTER, INC.***

**FINANCIAL STATEMENTS  
& INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2020 and 2019**

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

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# MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Wayne Reed Christian Childcare Center, Inc.

We have audited the accompanying financial statements of Wayne Reed Christian Childcare Center, Inc. (a nonprofit organization) as of December 31, 2020 and 2019, which comprise the statements of financial position as of December 31, 2020 and 2019, 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.

### ***Auditor's 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. Those standards require that we plan and perform the audit 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 auditor's 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 Wayne Reed Christian Childcare Center, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Mullins Clemmons + Mayes, PLLC*

Brentwood, Tennessee

November 29, 2021

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 653,348	\$ 440,535
Accounts receivable, net	31,678	32,210
Promises to give	40,460	37,502
Investments in marketable securities	1,864,544	1,667,716
Prepaid expenses and other assets	7,830	9,040
Total current assets	<u>2,597,860</u>	<u>2,187,003</u>
 PROPERTY AND EQUIPMENT, NET OF ACCUMULATED DEPRECIATION	 <u>336,718</u>	 <u>360,092</u>
 TOTAL ASSETS	 <u><u>\$ 2,934,578</u></u>	 <u><u>\$ 2,547,095</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 1,521	\$ 5,039
Accrued liabilities	9,000	9,062
Wages and payroll taxes payable	23,182	47,636
Total current liabilities	<u>33,703</u>	<u>61,737</u>
 NET ASSETS:		
Without donor restrictions:		
Invested in property and equipment	336,718	360,092
Undesignated	1,940,338	1,504,920
Total net assets without donor restrictions	<u>2,277,056</u>	<u>1,865,012</u>
With donor restrictions	623,819	620,346
Total net assets	<u>2,900,875</u>	<u>2,485,358</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,934,578</u></u>	 <u><u>\$ 2,547,095</u></u>

**The accompanying notes are an integral part of these financial statements.**

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUES:</b>			
Donations and private grants	\$ 398,109	\$ 84,173	\$ 482,282
Child care fees and subsidies	216,724	-	216,724
Paycheck Protection Program grant	94,180	-	94,180
Total	709,013	84,173	793,186
Net assets released from restrictions	80,700	(80,700)	-
Total support, revenues and reclassifications	789,713	3,473	793,186
<b>NET INVESTMENT RETURN</b>	246,593	-	246,593
<b>EXPENSES:</b>			
Program services:			
Child development	465,839	-	465,839
Supporting services:			
Management and general	140,423	-	140,423
Fundraising	18,000	-	18,000
Total expenses	624,262	-	624,262
<b>CHANGE IN NET ASSETS</b>	412,044	3,473	415,517
<b>NET ASSETS:</b>			
Beginning	1,865,012	620,346	2,485,358
Ending	<u>\$ 2,277,056</u>	<u>\$ 623,819</u>	<u>\$ 2,900,875</u>

**The accompanying notes are an integral part of these financial statements.**

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>SUPPORT AND REVENUES:</b>			
Donations and private grants	\$ 180,445	\$ 101,000	\$ 281,445
Child care fees and subsidies	259,997	-	259,997
Fundraising events	234,336	-	234,336
Total	674,778	101,000	775,778
Net assets released from restrictions	99,342	(99,342)	-
Total support, revenues and reclassifications	774,120	1,658	775,778
<b>NET INVESTMENT RETURN</b>	363,209	-	363,209
<b>EXPENSES:</b>			
Program services:			
Child development	604,478	-	604,478
Supporting services:			
Management and general	131,511	-	131,511
Fundraising	50,169	-	50,169
Total expenses	786,158	-	786,158
<b>CHANGE IN NET ASSETS</b>	351,171	1,658	352,829
<b>NET ASSETS AT BEGINNING OF YEAR:</b>			
Balance at beginning of year	1,513,841	618,688	2,132,529
<b>End of year</b>	<b>\$ 1,865,012</b>	<b>\$ 620,346</b>	<b>\$ 2,485,358</b>

**The accompanying notes are an integral part of these financial statements.**

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.****STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	<b>Child Development</b>	<b>Management and General</b>	<b>Fund- Raising</b>	
Salaries	\$ 300,881	\$ 70,677	\$ -	\$ 371,558
Employee benefits	36,842	8,654	-	45,496
Payroll taxes	10,976	2,578	-	13,554
Total personnel costs	348,699	81,909	-	430,608
Fundraising expenses	-	-	18,000	18,000
Daycare supplies	31,593	-	-	31,593
Utilities	16,491	4,123	-	20,614
Contract labor	-	1,000	-	1,000
Office supplies	1,421	1,422	-	2,843
Insurance	9,529	4,277	-	13,806
Telephone	4,030	1,007	-	5,037
Building expenses	21,645	5,412	-	27,057
Administrative expenses	3,118	35,643	-	38,761
Bad debt expense	6,792	-	-	6,792
Total expenses before depreciation	443,318	134,793	18,000	596,111
Depreciation	22,521	5,630	-	28,151
Total expenses	<u>\$ 465,839</u>	<u>\$ 140,423</u>	<u>\$ 18,000</u>	<u>\$ 624,262</u>

The accompanying notes are an integral part of these financial statements.



**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.****STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Program Services</b>	<b>Supporting Services</b>		<b>Total</b>
	<b>Child Development</b>	<b>Management and General</b>	<b>Fund- Raising</b>	
Salaries	\$ 340,913	\$ 74,545	\$ -	\$ 415,458
Employee benefits	46,059	10,071	-	56,130
Payroll taxes	25,013	5,469	-	30,482
Total personnel costs	411,985	90,085	-	502,070
Fundraising expenses	-	-	50,169	50,169
Daycare supplies	62,488	-	-	62,488
Utilities	21,798	5,450	-	27,248
Contract labor	-	6,135	-	6,135
Office supplies	2,116	2,116	-	4,232
Insurance	11,371	4,804	-	16,175
Telephone	4,532	1,133	-	5,665
Building expenses	22,173	5,543	-	27,716
Administrative expenses	10,544	10,421	-	20,965
Bad debt expense	34,174	-	-	34,174
Total expenses before depreciation	581,181	125,687	50,169	757,037
Depreciation	23,297	5,824	-	29,121
Total expenses	<u>\$ 604,478</u>	<u>\$ 131,511</u>	<u>\$ 50,169</u>	<u>\$ 786,158</u>

The accompanying notes are an integral part of these financial statements.

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net change in net assets	\$ 415,517	\$ 352,829
Adjustments to reconcile net change in net assets to net cash used in operating activities:		
Depreciation	28,151	29,121
Net unrealized appreciation in fair value of investments	(174,961)	(318,937)
Net realized gain on disposal of investments	(59,196)	(21,011)
Noncash donations	-	(5,000)
Net changes in other operating assets and liabilities:		
Accounts receivable	532	(843)
Promises to give	(2,958)	5,700
Prepaid expenses and other assets	1,210	(2,076)
Accounts payable and accrued liabilities	(28,034)	(10,522)
Net cash provided by operating activities	<u>180,261</u>	<u>29,261</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(4,777)	(2,699)
Purchases of investments	(645,027)	(434,933)
Proceeds from sale of investments	<u>682,356</u>	<u>452,792</u>
Net cash provided by investing activities	<u>32,552</u>	<u>15,160</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>212,813</b>	<b>44,421</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<b><u>440,535</u></b>	<b><u>396,114</u></b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b><u>\$ 653,348</u></b>	<b><u>\$ 440,535</u></b>

**The accompanying notes are an integral part of these financial statements.**

# **WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019**

### **NOTE 1 – STATEMENT OF PURPOSE**

Wayne Reed Christian Childcare Center, Inc. (the "Center"), founded in 1996, is qualified as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code. The primary program of the Center is the operation of a day care facility for inner city and low-income children located in Nashville, Tennessee. The Center's support comes from individual and corporate donations, private grants, and fees charged for providing childcare services.

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Accounting Periods**

All references to 2020 and 2019 in these financial statements refer to the years ended December 31, 2020 and 2019, respectively, unless otherwise noted.

#### **Basis of Accounting**

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

#### **Financial Statement Presentation**

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

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

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

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

See Note 9 for further details related to net assets.

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

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

**Investments**

Investments are reported at fair value. Gains and losses, whether realized or unrealized, are included in the statement of activities and changes in net assets. Investment income is allocated on a monthly basis to each fund based on the fund's percentage of total market value.

The Center's investments are held and managed by various independent investment advisors who report regularly to the Center.

The Center utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position. See Note 4 for further details related to investments.

**Accounts Receivable**

Accounts receivable consist of receivables from parents, guardians, and governmental agencies for childcare fees and subsidies and from governmental agencies for grants earned. The Center uses the allowance method to determine any uncollectible accounts receivable. The allowance is based on prior years' experience and management's analysis of specific accounts receivable. At December 31, 2020 and 2019, the allowance for doubtful accounts was \$0 and \$40,819, respectively.

**Contributions and Promises to Give**

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

The Center uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2020 and 2019, management believes that all promises to give are fully collectible. Therefore, no allowance was deemed necessary.

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and Equipment**

Property and equipment are recorded at cost. Maintenance and repairs are expensed as incurred; major renewals and improvements are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in revenue or expense. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**Revenue Recognition**

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

**Income Taxes**

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

The Center files an annual information return (Form 990) with the U.S. government. At December 31, 2020, the Center is no longer subject to U.S. tax examinations of these information returns by tax authorities for years before 2017.

**Donated Materials and Services**

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

The Center received a substantial amount of donated services from unpaid volunteers which did not meet the criteria for recognition under generally accepted accounting principles.

See Note 11 for further details.

**Functional Allocation of Expenses**

Expenses directly related to a function are charged to that function. Expenses that are related to more than one function are allocated to the applicable functions based upon various allocation methods to reflect the total cost of each function. See Note 10 for further details related to the methods used to allocate expenses.

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates**

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

**Recently Issued Accounting Pronouncements**

In May 2014, the FASB issued ASU 2014-09 ("ASU"), Revenue from Contracts with Customers (Topic 606). Topic 606 supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition (Topic 605), and requires an entity to recognize revenue when promised goods or services are transferred to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, Other Assets and Deferred Costs - Contracts with Customers, which requires the deferral of incremental costs of obtaining a contract with a customer and costs incurred to fulfill a contract. Collectively, the Company refers to Topic 606 and Subtopic 340-40 as Topic 606. In May 2020, the FASB voted to delay the effective date of ASU 2014-09 making it effective for annual reporting periods beginning after December 15, 2019. There were no reclassifications or restatements of revenue as a result of the adoption of the ASU.

**Events Occurring After Reporting Date**

The Center has evaluated events and transactions that occurred between December 31, 2020 and November 29, 2021, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

**NOTE 3 – LIQUIDITY**

Financial assets available for general expenditures within one year of December 31, 2020 and 2019, consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 653,348	\$ 440,535
Accounts receivable, net	31,678	32,210
Promises to give	40,460	37,502
Investments in marketable securities	<u>1,864,544</u>	<u>1,667,716</u>
Total financial assets	2,590,030	2,177,963
Less amounts not available to be used within one year:		
Endowment funds	<u>(206,565)</u>	<u>(206,565)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,383,465</u>	<u>\$ 1,971,398</u>

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 3 – LIQUIDITY (CONTINUED)**

The Center has certain promises to give which are limited to use but expected to be available for general expenditures within one year in the normal course of operations. Accordingly, these promises have been included in the quantitative information above.

**NOTE 4 – INVESTMENTS IN MARKETABLE SECURITIES**

Generally accepted accounting principles have established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Center measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Following are the fair values of investments according to the fair value hierarchy at December 31, 2020 and 2019:

	<b>Fair Value</b>	<b>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
<b>At December 31, 2020:</b>		
Equities	\$ 1,117,800	\$ 1,117,800
Mutual funds	746,744	746,744
Total investments	<u>\$ 1,864,544</u>	<u>\$ 1,864,544</u>
<b>At December 31, 2019:</b>		
Equities	\$ 1,170,253	\$ 1,170,253
Mutual funds	497,463	497,463
Total investments	<u>\$ 1,667,716</u>	<u>\$ 1,667,716</u>

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 4 – INVESTMENTS IN MARKETABLE SECURITIES (CONTINUED)**

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

Following are the details of the net investment return for 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 30,176	\$ 39,451
Realized gains on disposal of investments	59,196	21,011
Unrealized gains (losses) in fair value of investments	174,961	318,937
Portfolio management fee	<u>(17,740)</u>	<u>(16,190)</u>
Net investment return	<u>\$ 246,593</u>	<u>\$ 363,209</u>

At December 31, 2020, the cumulative unrealized appreciation of investments is \$336,954.

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following, as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Building and related improvements	\$ 772,767	\$ 772,767
Office equipment and computers	87,377	85,012
Kitchen equipment and cabinets	46,786	44,374
Playground equipment	<u>60,263</u>	<u>60,263</u>
Total cost	967,193	962,416
Less accumulated depreciation	<u>(630,475)</u>	<u>(602,324)</u>
Net property and equipment	<u>\$ 336,718</u>	<u>\$ 360,092</u>

Depreciation expense for the years ending 2020 and 2019 was \$28,151 and \$29,121, respectively.



**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 6 – EMPLOYEE BENEFIT PLAN**

The Center maintains a 403(b) plan for its employees. Upon completion of one year of service, the Center will match an employee's annual contribution, up to \$1,000. The Center recognized \$3,537 and \$3,906 of costs related to this plan during 2020 and 2019, respectively.

**NOTE 7 – LEASES**

In 1997, the Center entered into a ground lease and operating lease with Youth Encouragement Services for the use of their premises for a period of thirty years ending December 2026. The Center agreed to pay rent of one dollar each year of the lease. Under the terms of the leases the Center has the right of first refusal should Youth Encouragement Services desire to sell the facility.

In 2020, the Center entered into lease agreements for a copier and three printers. The copier lease agreement requires monthly lease payments of \$162 for a term of thirty-seven months. The printer lease agreement requires monthly payments of \$168 for a term of thirty-six months. Rent expense totaled \$3,623 for both leases for 2020.

Future minimum lease payments under the terms of these equipment leases as of December 31, 2020 are as follows:

<u>Year Ending December 31,</u>	<u>Future Lease Payments</u>
2021	\$ 3,952
2022	3,952
2023	<u>5,399</u>
Total	<u>\$ 13,303</u>

**NOTE 8 – CONCENTRATIONS**

The Center maintains bank account balances which may, at times, exceed FDIC insurance limits. The Center has not experienced any losses in such accounts, and management does not believe they are exposed to any significant credit risks on these accounts.

See Note 4 for a description of the risks associated with the Center's investments in marketable securities.

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

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 9 – NET ASSETS**

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

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

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

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

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period as well as any entity-designated funds.

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

Donor-restricted endowment net assets consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 206,565	\$ 206,565

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 9 – NET ASSETS (CONTINUED)**

Net assets with donor restrictions were available for the following purposes at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Restricted for future year operations	\$ 60,306	\$ 60,781
Restricted for purposes:		
Relocation of Center	350,000	350,000
Playground	-	3,000
Family assistance	6,948	-
Donor-restricted endowment funds	<u>206,565</u>	<u>206,565</u>
Net assets with donor restrictions	<u>\$ 623,819</u>	<u>\$ 620,346</u>

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

**NOTE 10 – FUNCTIONAL EXPENSES**

The financial statements report certain categories of expenses which are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis which is consistently applied. The allocated expenses include building expenses, telephone and utilities, which are allocated on a square footage basis, as well as salaries, employee benefits, and payroll taxes, which are allocated based on estimates of time and effort.

**NOTE 11 – RELATED PARTY TRANSACTIONS**

Donated services, consisting of management and accounting services, are performed by a volunteer who was a member of the Center's Board. The estimated fair value of the services of was approximately \$6,000 for 2020 and \$6,600 for 2019 and has been reported in the accompanying Statements of Activities.

**NOTE 12 – PAYCHECK PROTECTION PROGRAM**

On April 14, 2020, the Center received loan proceeds in the amount of \$94,180 under the 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 businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks if 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 will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

**WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2020 AND 2019**

**NOTE 12 – PAYCHECK PROTECTION PROGRAM (CONTINUED)**

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Center has used the proceeds for purposes consistent with the PPP and the loan was forgiven on October 30, 2020.

The Center has recorded these funds as a conditional contribution. In accordance with ASC 958-605, conditional contributions are recognized as the conditions are met, which occurred in 2020. Accordingly, the Center recognized the full amount of \$94,180 during 2020.

**NOTE 13 – RISKS AND UNCERTAINTIES**

The World Health Organization declared COVID-19 a pandemic in March 2020. To mitigate the spread of COVID-19, the mayor of Nashville announced a “Safer at Home Order” and the Center closed for 6 weeks. The Center then reopened with safety protocols in place. The Center continues to monitor the impact of the COVID-19 pandemic. Management cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on the Center’s business, results of operations, financial position and cash flows.