

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

**FINANCIAL STATEMENTS
& INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2022 and 2021

WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.

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MULLINS CLEMMONS & MAYES, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Wayne Reed Christian Childcare Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Wayne Reed Christian Childcare Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Wayne Reed Christian Childcare Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Wayne Reed Christian Childcare Center, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Wayne Reed Christian Childcare Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mullins Clemmons & Mayes, P.C.

Brentwood, Tennessee
September 6, 2023

WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 623,194	\$ 532,903
Accounts receivable, net	59,537	10,250
Promises to give	95,537	37,500
Investments in marketable securities	2,161,756	2,426,763
Prepaid expenses and other assets	9,846	8,470
Property and equipment, net	307,110	309,201
Operating leases, right-of-use assets	657	-
TOTAL ASSETS	<u>\$ 3,257,637</u>	<u>\$ 3,325,087</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable	\$ 4,080	\$ 5,301
Accrued liabilities	12,000	11,750
Wages and payroll taxes payable	27,991	25,541
Operating lease liabilities	657	-
Total current liabilities	<u>44,728</u>	<u>42,592</u>
NET ASSETS		
Without donor restrictions:		
Invested in property and equipment	307,110	309,201
Undesignated	2,312,407	2,378,715
Total net assets without donor restrictions	<u>2,619,517</u>	<u>2,687,916</u>
With donor restrictions	593,392	594,579
Total net assets	<u>3,212,909</u>	<u>3,282,495</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,257,637</u>	<u>\$ 3,325,087</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, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Donations and private grants	\$ 282,949	\$ 73,400	\$ 356,349
Government grants	351,474	-	351,474
Child care fees and subsidies	159,062	-	159,062
Fundraising events	193,955	-	193,955
Donated services	6,000	-	6,000
Total	993,440	73,400	1,066,840
Net assets released from restrictions	74,587	(74,587)	-
Total support, revenues and reclassifications	1,068,027	(1,187)	1,066,840
NET INVESTMENT RETURN	(393,047)	-	(393,047)
EXPENSES:			
Program services:			
Child development	541,931	-	541,931
Supporting services:			
Management and general	143,261	-	143,261
Fundraising	58,187	-	58,187
Total expenses	743,379	-	743,379
CHANGE IN NET ASSETS	(68,399)	(1,187)	(69,586)
NET ASSETS:			
Beginning	2,687,916	594,579	3,282,495
Ending	<u>\$ 2,619,517</u>	<u>\$ 593,392</u>	<u>\$ 3,212,909</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, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES:			
Donations and private grants	\$ 405,735	\$ 74,000	\$ 479,735
Child care fees and subsidies	171,689	-	171,689
Fundraising events	73,203	-	73,203
Donated services	6,000	-	6,000
Total	656,627	74,000	730,627
Net assets released from restrictions	103,240	(103,240)	-
Total support, revenues and reclassifications	759,867	(29,240)	730,627
NET INVESTMENT RETURN	314,850	-	314,850
EXPENSES:			
Program services:			
Child development	505,003	-	505,003
Supporting services:			
Management and general	123,430	-	123,430
Fundraising	35,424	-	35,424
Total expenses	663,857	-	663,857
CHANGE IN NET ASSETS	410,860	(29,240)	381,620
NET ASSETS:			
Beginning	2,277,056	623,819	2,900,875
End of year	\$ 2,687,916	\$ 594,579	\$ 3,282,495

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, 2022**

	Program Services	Supporting Services		Total
	Child Development	Management and General	Fund- Raising	
Salaries	\$ 327,467	\$ 69,239	\$ -	\$ 396,706
Employee benefits	37,758	7,729	-	45,487
Payroll taxes	25,116	5,141	-	30,257
Total personnel costs	390,341	82,109	-	472,450
Fundraising expenses	-	-	58,187	58,187
Daycare supplies	61,680	-	-	61,680
Utilities	20,841	5,210	-	26,051
Office supplies	2,909	2,909	-	5,818
Insurance	7,507	5,037	-	12,544
Telephone	4,154	1,038	-	5,192
Building expenses	25,446	6,362	-	31,808
Administrative expenses	7,547	35,219	-	42,766
Total expenses before depreciation	520,425	137,884	58,187	716,496
Depreciation	21,506	5,377	-	26,883
Total expenses	<u>\$ 541,931</u>	<u>\$ 143,261</u>	<u>\$ 58,187</u>	<u>\$ 743,379</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, 2021**

	Program Services	Supporting Services		
	Child Development	Management and General	Fund- Raising	Total
Salaries	\$ 286,461	\$ 53,213	\$ -	\$ 339,674
Employee benefits	47,412	8,221	-	55,633
Payroll taxes	20,890	3,622	-	24,512
Total personnel costs	354,763	65,056	-	419,819
Fundraising expenses	-	-	35,424	35,424
Daycare supplies	66,054	-	-	66,054
Utilities	16,880	4,220	-	21,100
Office supplies	2,186	2,185	-	4,371
Insurance	7,833	4,277	-	12,110
Telephone	3,649	1,007	-	4,656
Building expenses	27,158	5,412	-	32,570
Administrative expenses	4,593	35,643	-	40,236
Total expenses before depreciation	483,116	117,800	35,424	636,340
Depreciation	21,887	5,630	-	27,517
Total expenses	<u>\$ 505,003</u>	<u>\$ 123,430</u>	<u>\$ 35,424</u>	<u>\$ 663,857</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, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in net assets	\$ (69,586)	\$ 381,620
Adjustments to reconcile net change in net assets to net cash used in operating activities:		
Depreciation	26,883	27,517
Net unrealized appreciation in fair value of investments	570,362	(191,287)
Net realized gain on disposal of investments	(144,865)	(107,031)
Net changes in other operating assets and liabilities:		
Accounts receivable	(49,287)	21,428
Promises to give	(58,037)	2,960
Prepaid expenses and other assets	(1,376)	(640)
Accounts payable and accrued liabilities	1,479	8,889
Net cash provided by operating activities	<u>275,573</u>	<u>143,456</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(24,792)	-
Purchases of investments	(2,735,074)	(785,977)
Proceeds from sale of investments	<u>2,574,584</u>	<u>522,076</u>
Net cash provided by investing activities	<u>(185,282)</u>	<u>(263,901)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	90,291	(120,445)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>532,903</u>	<u>653,348</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 623,194</u>	<u>\$ 532,903</u>

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

WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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 2022 and 2021 in these financial statements refer to the years ended December 31, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021, management believes that all accounts receivable are fully collectible. Therefore, no allowance was deemed necessary.

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, 2022 and 2021, 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, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Promises to Give (Continued)

Conditional promises to give are not recognized as support until the conditions have substantially been met. The Center had conditional promises to give of \$128,247 at December 31, 2021. There were no conditional promises to give at December 31, 2022.

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, 2022, the Center is no longer subject to U.S. tax examinations of these information returns by tax authorities for years before 2019.

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.

WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

Leases and Adoption of New Accounting Standard

The Center adopted FASB Topic 842, Leases, using the modified retrospective approach with January 1, 2022 as the date of initial adoption. The new standard has been applied to the year ended December 31, 2022. The Center has elected the practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Center to carry forward the historical lease classification and to include non-lease components into the lease payment.

As a result of adopting the new standards, the Center recorded additional net operating lease right-of-use assets and net operating lease liabilities in the amount of \$4,574 as of January 1, 2022. Adoption of the new standards had no impact on the Center's changes in net assets and cash flows.

Operating lease right-of-use ("ROU") assets represent the Center's right to use the underlying assets for the lease term, and operating lease liabilities represent the Center's obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term, using the risk-free based on information available at lease commencement. The ROU assets are amortized on the straight-line basis over the lease term. See Note 7 for further details related to leases.

Events Occurring After Reporting Date

The Center has evaluated events and transactions that occurred between December 31, 2022 and September 6, 2023, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 3 – LIQUIDITY

Financial assets available for general expenditures within one year of December 31, 2022 and 2021, consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 623,194	\$ 532,903
Accounts receivable, net	59,537	10,250
Promises to give	95,537	37,500
Investments in marketable securities	<u>2,161,756</u>	<u>2,426,763</u>
Total financial assets	2,940,024	3,007,416
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>\$ 2,733,459</u>	<u>\$ 2,800,851</u>

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, 2022:

	<u>Fair Value</u>	<u>Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)</u>
At December 31, 2022:		
Equities	\$ 601,274	\$ 601,274
Mutual funds	<u>1,560,482</u>	<u>1,560,482</u>
Total investments	<u>\$2,161,756</u>	<u>\$2,161,756</u>

WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021****NOTE 4 – INVESTMENTS IN MARKETABLE SECURITIES (CONTINUED)**

Following are the fair values of investments according to the fair value hierarchy at December 31, 2021:

	Fair Value	Fair Value Measurements Using Quoted Prices in Active Markets for Identical Assets (Level 1)
At December 31, 2021:		
Equities	\$ 1,533,700	\$ 1,533,700
Mutual funds	893,063	893,063
Total investments	<u>\$ 2,426,763</u>	<u>\$ 2,426,763</u>

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 2022 and 2021:

	2022	2021
Interest and dividends	\$ 55,459	\$ 38,942
Realized gains on disposal of investments	144,865	107,031
Unrealized gains (losses) in fair value of investments	(570,362)	191,287
Portfolio management fee	(23,009)	(22,410)
Net investment return	<u>\$ (393,047)</u>	<u>\$ 314,850</u>

At December 31, 2022, the cumulative unrealized appreciation of investments is \$28,271.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following, as of December 31, 2022 and 2021:

	2022	2021
Building and related improvements	\$ 797,559	\$ 772,767
Office equipment and computers	87,377	87,377
Kitchen equipment and cabinets	46,786	46,786
Playground equipment	60,263	60,263
Total cost	991,985	967,193
Less accumulated depreciation	(684,875)	(657,992)
Net property and equipment	<u>\$ 307,110</u>	<u>\$ 309,201</u>

Depreciation expense for the years ending 2022 and 2021 was \$26,883 and \$27,517, respectively.

WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

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 \$2,368 and \$3,000 of costs related to this plan during 2022 and 2021, 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.

Information about the Center's leases for the year ended December 31, 2022 is as follows:

<u>Lease costs (included in operating expenses):</u>	
Operating lease costs	\$ 3,952
Short-term costs	-
Total lease costs	<u>\$ 3,952</u>
<u>Other Information</u>	
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 3,952
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 4,574
Weighted-average remaining lease term	2 months
Weighted-average discount rate	1.37%

Future maturities of operating lease liabilities and future minimum lease payments as of December 31, 2022 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Operating</u> <u>Lease Liability</u>
2023	\$ 659
Total lease payments	659
Less amounts representing interest	(2)
Lease obligation liabilities	<u>\$ 657</u>

WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

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.

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.

WAYNE REED CHRISTIAN CHILDCARE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2022 AND 2021

NOTE 9 – NET ASSETS (CONTINUED)

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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$ 206,565	\$ 206,565

Net assets with donor restrictions were available for the following purposes at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Restricted for future year operations	\$ 30,023	\$ 30,790
Restricted for purposes:		
Relocation of Center	350,000	350,000
Family assistance	6,804	6,948
Teacher scholarships	-	276
Donor-restricted endowment funds	<u>206,565</u>	<u>206,565</u>
Net assets with donor restrictions	<u>\$ 593,392</u>	<u>\$ 594,579</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 each year for 2022 and 2021 and has been reported in the accompanying Statements of Activities.