

**FANNIE BATTLE DAY HOME FOR
CHILDREN, INC. AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

As of and for the Years Ended June 30, 2020 and 2019

And Report of Independent Auditor

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Report of Independent Auditor

To the Board of Directors
Fannie Battle Day Home for Children, Inc. and Affiliate
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Fannie Battle Day Home for Children, Inc. and Affiliate (a nonprofit organization) (the "Organization") which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses, which could negatively impact the Organization's business. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, COVID-19 could result in uncertainties that could affect activities and have other material, adverse effects to the Organization. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 18 through 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

A handwritten signature in blue ink that reads "Cheryl BeKaart LLP". The signature is written in a cursive, flowing style.

Nashville, Tennessee
January 6, 2021

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 333,939	\$ 201,466
Investments	245,190	144,383
Grants, accounts, and contributions receivable	60,711	48,234
Prepaid expenses	5,111	5,936
Total Current Assets	<u>644,951</u>	<u>400,019</u>
Property and Equipment:		
Land	178,000	178,000
Buildings	1,681,990	1,599,295
Equipment	204,923	189,423
Playground	124,997	122,397
Bus	59,630	59,630
	<u>2,249,540</u>	<u>2,148,745</u>
Less accumulated depreciation	<u>(549,650)</u>	<u>(479,625)</u>
Property and Equipment, net	<u>1,699,890</u>	<u>1,669,120</u>
Investments - endowment	<u>891,758</u>	<u>911,185</u>
Total Assets	<u><u>\$ 3,236,599</u></u>	<u><u>\$ 2,980,324</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 25,708	\$ 16,682
Accrued expenses	35,006	36,933
Note payable, current portion	<u>-</u>	<u>9,585</u>
Total Current Liabilities	<u>60,714</u>	<u>63,200</u>
Noncurrent Liabilities:		
Note payable, net of current portion	<u>-</u>	<u>35,463</u>
Total Liabilities	<u>60,714</u>	<u>98,663</u>
Net Assets:		
Board designated	866,758	911,185
Undesignated	<u>2,270,727</u>	<u>1,970,476</u>
Total Without Donor Restrictions	<u>3,137,485</u>	<u>2,881,661</u>
With donor restrictions	<u>38,400</u>	<u>-</u>
Total Net Assets	<u>3,175,885</u>	<u>2,881,661</u>
Total Liabilities and Net Assets	<u><u>\$ 3,236,599</u></u>	<u><u>\$ 2,980,324</u></u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Public Support:			
Contributions	\$ 426,939	\$ 38,400	\$ 465,339
Membership fundraising activities	175,919	-	175,919
Total Public Support	602,858	38,400	641,258
Revenues:			
Day home fees	745,135	-	745,135
Paycheck Protection Program grant	183,192	-	183,192
DHS food subsidies	51,560	-	51,560
Gain on insurance proceeds	51,264	-	51,264
Facility revenue	21,851	-	21,851
Investment return, net	(11,156)	-	(11,156)
Total Revenues	1,041,846	-	1,041,846
Net assets released from restrictions	-	-	-
Total Public Support and Revenues	1,644,704	38,400	1,683,104
Expenses:			
Program services	1,187,045	-	1,187,045
Supporting services	201,835	-	201,835
Total Expenses	1,388,880	-	1,388,880
Change in net assets	255,824	38,400	294,224
Net assets, beginning of year	2,881,661	-	2,881,661
Net assets, end of year	\$ 3,137,485	\$ 38,400	\$ 3,175,885

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Public Support:			
Contributions	\$ 435,424	\$ -	\$ 435,424
Membership fundraising activities	227,513	-	227,513
Total Public Support	662,937	-	662,937
Revenues:			
Day home fees	642,551	-	642,551
DHS food subsidies	70,944	-	70,944
Investment return, net	74,287	-	74,287
Facility revenue	17,726	-	17,726
Total Revenues	805,508	-	805,508
Net assets released from restrictions	25,904	(25,904)	-
Total Public Support and Revenues	1,494,349	(25,904)	1,468,445
Expenses:			
Program services	1,122,937	-	1,122,937
Supporting services	268,887	-	268,887
Total Expenses	1,391,824	-	1,391,824
Change in net assets	102,525	(25,904)	76,621
Net assets, beginning of year	2,779,136	25,904	2,805,040
Net assets, end of year	\$ 2,881,661	\$ -	\$ 2,881,661

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 755,417	\$ 43,415	\$ 69,464	\$ 112,879	\$ 868,296
Repairs and maintenance	118,840	-	-	-	118,840
Payroll taxes	54,738	3,321	5,314	8,635	63,373
Groceries	58,716	-	-	-	58,716
Teacher and family education	34,834	-	-	-	34,834
Insurance	29,613	-	1,843	1,843	31,456
Utilities	30,480	-	-	-	30,480
Legal and professional fees	-	-	26,575	26,575	26,575
Employee benefits	18,371	1,297	1,945	3,242	21,613
Printing and technology	-	-	17,436	17,436	17,436
Credit card fees	-	-	17,420	17,420	17,420
Advertising and other fundraising	-	8,483	-	8,483	8,483
Children's enrichment	5,977	-	-	-	5,977
Classroom expenses	5,368	-	-	-	5,368
Office supplies and expenses	-	-	4,470	4,470	4,470
Auto expense	2,840	-	-	-	2,840
Miscellaneous	1,826	-	-	-	1,826
Permits and memberships	-	-	852	852	852
	1,117,020	56,516	145,319	201,835	1,318,855
Depreciation	70,025	-	-	-	70,025
	<u>\$ 1,187,045</u>	<u>\$ 56,516</u>	<u>\$ 145,319</u>	<u>\$ 201,835</u>	<u>\$ 1,388,880</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 705,532	\$ 71,365	\$ 61,036	\$ 132,401	\$ 837,933
Repairs and maintenance	83,647	-	-	-	83,647
Groceries	66,463	-	-	-	66,463
Payroll taxes	52,374	5,298	4,531	9,829	62,203
Utilities	38,606	-	-	-	38,606
Printing and technology	-	-	33,391	33,391	33,391
Advertising and other fundraising	-	31,902	-	31,902	31,902
Insurance	28,637	-	1,843	1,843	30,480
Legal and professional fees	-	-	23,705	23,705	23,705
Employee benefits	18,082	1,829	1,564	3,393	21,475
Children's enrichment	20,761	-	-	-	20,761
Teacher and family education	16,600	-	-	-	16,600
Classroom expenses	16,553	-	-	-	16,553
Credit card fees	-	-	15,889	15,889	15,889
Office supplies and expenses	-	-	10,557	10,557	10,557
Permits and memberships	-	-	5,977	5,977	5,977
Interest	2,398	-	-	-	2,398
Miscellaneous	2,170	-	-	-	2,170
Auto expense	1,996	-	-	-	1,996
	1,053,819	110,394	158,493	268,887	1,322,706
Depreciation	69,118	-	-	-	69,118
	<u>\$ 1,122,937</u>	<u>\$ 110,394</u>	<u>\$ 158,493</u>	<u>\$ 268,887</u>	<u>\$ 1,391,824</u>

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

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 294,224	\$ 76,621
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	70,025	69,118
Realized and unrealized loss (gain) on investments, net	43,079	(46,507)
Changes in operating assets and liabilities:		
Grants, accounts, and contributions receivable	(12,477)	14,005
Prepaid expenses	825	(2,169)
Accounts payable	9,026	11,062
Accrued expenses	(1,927)	1,385
Net cash provided by operating activities	<u>402,775</u>	<u>123,515</u>
Cash flows from investing activities:		
Proceeds from sale of investments	107,931	125,365
Purchase of investments	(232,390)	(152,247)
Purchase of property and equipment	(100,795)	(12,829)
Net cash used in investing activities	<u>(225,254)</u>	<u>(39,711)</u>
Cash flows from financing activities:		
Principal payments on note payable	(45,048)	(8,891)
Net cash used in financing activities	<u>(45,048)</u>	<u>(8,891)</u>
Net increase in cash and cash equivalents	132,473	74,913
Cash and cash equivalents, beginning of year	201,466	126,553
Cash and cash equivalents, end of year	<u>\$ 333,939</u>	<u>\$ 201,466</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 2,398</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1—Nature of operations and summary of significant accounting policies

Nature of Operations – Fannie Battle Day Home for Children, Inc. and Affiliate (the “Organization”) is a not-for-profit corporation with a mission to provide affordable, high-quality childcare for at-risk children in a nurturing environment while empowering families to reach their potential.

Principles of Consolidation – The consolidated financial statements include the accounts of the Fannie Battle Day Home for Children, Inc. and its affiliated supporting organization, Fannie Battle Day Home Endowment Fund, Inc. All significant inter-entity transactions and balances have been eliminated in consolidation.

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with the donors’ stipulations results in the release of such restrictions.

With Donor Restrictions – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by the action of the Organization. Net assets with donor restrictions are restricted by donors for specific purposes, and include unconditional pledges. Restricted contributions whose purpose is met in the same year as received are recorded as unrestricted contributions.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization 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. Donor-restricted contributions are reported as increases in net assets with donor restrictions. Restrictions may be temporary or perpetual in nature. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investments – In accordance with U.S. GAAP, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1—Nature of operations and summary of significant accounting policies (continued)

Fair Values – The Organization has an established process for determining fair values. Fair values are based upon quoted market prices, where available. If listed prices or quotes are not available, fair values are based upon internally developed models or processes that use primarily market-based or independently-sourced market data. Valuation adjustments may be made to ensure financial instruments are recorded at fair value. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. U.S. GAAP has a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are explained as follows:

Level 1 – Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Investments are reported at fair value as reported by the respective funds using quoted market prices. No changes in the valuation methodologies have been made during the year ended June 30, 2020.

Receivables – Accounts and contributions receivable are expected to be received within the coming fiscal year. Accounts and contributions receivable are reviewed periodically as to their collectability. Based on collection experience and management's review, no allowance for doubtful accounts is considered necessary at June 30, 2020 and 2019.

Income Tax Status – The Organization and its affiliated supporting organization are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code, and are classified as organizations that are not private foundations as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying consolidated financial statements.

Endowment Funds – The Uniform Prudent Management of Institutional Funds Act ("UPMIFA") was enacted in Tennessee effective July 1, 2007. Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of UPMIFA. It also requires disclosure of a description of the governing board's interpretation of the law that underlies the organization's net asset classification of donor-restricted endowment funds, a description of the organization's policies for the appropriation of endowment assets for expenditures (its endowment spending policies), a description of the organization's endowment investment policies, and additional disclosures.

Advertising – The Organization expenses advertising costs as incurred.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1—Nature of operations and summary of significant accounting policies (continued)

Functional Allocation of Expenses – The costs of providing program services and supporting services have been summarized on a functional basis in the consolidated statements of activities. Expenses that can be directly attributed to a particular function are charged to that function. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses that have been allocated consist primarily of salaries and related expenses that have been allocated based on time and effort.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements – In June 2018, FASB issued Accounting Standards Update (“ASU”) 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard provides guidance on determining whether a transaction should be accounted for as a contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. The Organization evaluated the new standard and determined the accounting standard did not require a change to the Organization’s practices for recording contributions.

In January 2016, FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. This guidance revises accounting related to (1) the classification and measurement of investments in equity securities and (2) the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The Organization evaluated the new standard and determined the accounting standard did not require a change to the Organization’s practice for recording financial assets and liabilities.

In November 2016, FASB issued accounting standard ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, which 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. As a result, amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statements of cash flows. This standard was adopted for the year ended June 30, 2020.

Accounting Policies for Future Pronouncements – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for the Organization for the year ending June 30, 2021. The Organization is currently evaluating the effect of the implementation of this new standard.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 1—Nature of operations and summary of significant accounting policies (continued)

In February 2016, FASB issued ASU 2016-02, *Leases*. This guidance introduces a lessee model that brings substantially all leases on the statements of financial position. This guidance is effective for the year ending June 30, 2023. The Organization is evaluating the impact this guidance may have on its consolidated financial statements.

Subsequent Events – The Organization evaluated subsequent events through January 6, 2021, when these financial statements were available to be issued. Subsequent to June 30, 2020, the Organization received notification of that it was selected to receive approximately \$82,000 under CARES Act programs in response to the COVID-19 pandemic. (See Note 14.)

Note 2—Liquidity and availability of financial resources

The Organization monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and investments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of childcare as well as the conduct of services undertaken to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of June 30, 2020 and 2019, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the consolidated statement of financial position to meet those general expenditures:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 333,939	\$ 201,466
Grants, accounts, and contributions receivable	60,711	48,234
Investments	245,190	144,383
Investments - endowment	891,758	911,185
Less amounts not available to be used for general expenditure:		
Net assets with board designation	(866,758)	(911,185)
Net assets with donor restrictions	(38,400)	-
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 626,440</u>	<u>\$ 394,083</u>

Although the Organization does not intend to spend from the board-designated endowment (other than interest and dividends appropriated for general expenditure as part of the adopted investment policy), these amounts could be made available if necessary. As described in Note 7, the Organization also has a line of credit that is available for general operating needs.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 3—DHS subsidies

The Organization receives monthly subsidies under the Department of Human Services (“DHS”) Food Nutrition and Child Assistance Programs. For the years ended June 30, 2020 and 2019, the Organization received \$390,256 and \$249,018 in subsidies, respectively, which are included in the accompanying consolidated statements of activities in DHS food subsidies and day home fees. The Organization intends to reapply to DHS for continuation of the subsidies when the current contracts expire. At June 30, 2020 and 2019, there was a subsidy receivable of \$42,662 and \$15,667, respectively. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the Organization’s programs and services.

Note 4—Family Empowerment Program

The Organization entered into a Memorandum of Understanding with the United Way of Metropolitan Nashville for the support of the Family Empowerment Program (“FEP”), a community based, Two-Generation Approach program in July 2018. United Way of Metropolitan Nashville is the grantee of record with the Tennessee Department of Human Services. The FEP includes an emphasis on education, economic supports, health and well-being, and social capital. The FEP aims to strengthen community planning and coordinating efforts, organize services to help families achieve economic security, and develop innovative approaches to attacking the causes and effects of poverty for low income families that are recipients of, or eligible for, public assistance. The Memorandum of Understanding (“MOU”) requires the Organization to provide office space for case managers, assist in the identification of families interested in Two-Generation services, assist in the planning and implementation of Family Engagement activities, and assist the case manager in collecting relevant student outcomes. The MOU allows for the Organization to be reimbursed for rent, event planning and management, professional fees, education and out-of-Organization support for families, and benefits extension to provide support to families for childcare assistance in the event that an income or benefit change causes a lapse in their ability to pay childcare costs. For the years ended June 30, 2020 and 2019, the Organization received \$53,846 and \$82,283, respectively, in reimbursement for the FEP, which is included in the accompanying consolidated statement of activities in Day Home Fees and Contributions. Subsequent to June 30, 2020, the Organization signed partnership agreement to continue the FEP through September 30, 2021.

Note 5—Investments

The following table sets forth the Organization’s major categories of assets measured at fair value on a recurring basis, with fair value determined based on active markets (Level 1), as of June 30:

	2020	2019
Equity funds	\$ 1,097,821	\$ 1,049,122
Cash equivalents	39,127	6,446
	<u>\$ 1,136,948</u>	<u>\$ 1,055,568</u>

The following schedule summarizes the investment return for the years ended June 30:

	2020	2019
Interest and dividends	\$ 31,923	\$ 27,780
Realized and unrealized (loss) gain, net	(43,079)	46,507
	<u>\$ (11,156)</u>	<u>\$ 74,287</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 6—Property and equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets, which range from 40 years for buildings to 3 years for equipment. Expenditures for repairs and maintenance are charged to expense as incurred.

The Organization has an agreement with Premier Parking to lease out their parking lot after Organization hours. According to the terms of the agreement, Premier will pay the Organization \$2,300 each month or 75% of the net operating income, whichever is greater. This lease expired on October 31, 2019. A similar lease arrangement was obtained whereby Premier will pay the Organization \$3,000 each month or 75% of the net operating income, whichever is greater through October 2024. In April 2020, the agreement was amended due to the COVID-19 pandemic which heavily impacted the parking industry. Under this amendment, the Organization will receive 75% of gross parking revenues collected by Premier until such time that the local government restrictions in response to COVID-19 are lifted. Facility rental revenue earned under this and other short-term agreements is included in revenues in the consolidated statements of activities.

Note 7—Financing arrangements

The Organization entered into an unsecured line of credit agreement with a bank which allows for borrowings up to a maximum of \$300,000. The arrangement initially matured in December 2019; however, it was extended through December 2021. The arrangement bears interest at a variable rate with interest payments due monthly. No amounts were outstanding under the line of credit agreement at June 30, 2020 and 2019.

In June 2017, the Organization obtained a note payable to finance the cost of a custom bus. This arrangement required interest at 4.99% and required interest only payments through October 2017, followed by monthly interest and principal payments of \$968 through October 2023. The note was secured by the custom bus and was paid in full during the year ended June 30, 2020.

Note 8—Paycheck Protection Program loan

During April 2020, the Organization received a Paycheck Protection Program loan ("PPP Loan") in the amount of \$183,192. The PPP Loan is granted by the Small Business Administration under the Coronavirus Aid Relief, and Economic Security Act (the "CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for Profit Entities – Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount; spend up to 60% of the loan proceeds on certain payroll and employee benefits; and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization has recognized \$183,192 as revenue for the year ended June 30, 2020, because the conditions for forgiveness have been substantially met. Further, the Organization believes this loan forgiveness will be granted in the following year.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 9—Endowment fund

The Fannie Battle Day Home Endowment Fund, Inc. ("Endowment") was established effective May 16, 2001. The Endowment was established as a separate 501(c)(3) entity to assist management of the Organization in the exercise of its fiduciary duty related to board-designated endowment investments. The financial statements of the Endowment are consolidated with those of the Organization in the accompanying consolidated financial statements, as the Organization controls the Endowment through the appointment of its Board of Directors. Net assets associated with endowment funds are classified and reported based upon the existence or absence of donor-imposed restrictions. During the year ended June 30, 2020, the Endowment received a contribution of \$25,000 to be maintained in perpetuity.

The Board of Directors has interpreted UPMIFA as requiring that the Organization classify as donor-restricted net assets a) the original value of donor-restricted gifts to the permanent endowment; b) the original value of subsequent donor-restricted gifts to the permanent endowment; and c) accumulations (interest, dividends, capital gain/loss) to any permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in donor-restricted net assets is classified as donor-restricted net assets until those amounts are approved for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment net asset composition by type of fund as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 866,758	\$ 25,000	\$ 891,758

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 911,185	\$ -	\$ 911,185
Contributions	-	25,000	25,000
Appropriations of assets for expenditure	(28,714)	-	(28,714)
Investment return, net	(15,713)	-	(15,713)
Endowment net assets, end of year	\$ 866,758	\$ 25,000	\$ 891,758

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	\$ 911,185	\$ -	\$ 911,185

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 9—Endowment fund (continued)

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 871,545	\$ -	\$ 871,545
Appropriations of assets for expenditure	(27,494)	-	(27,494)
Investment return, net	67,134	-	67,134
Endowment net assets, end of year	<u>\$ 911,185</u>	<u>\$ -</u>	<u>\$ 911,185</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are to be invested primarily in equities, fixed income investments, and cash securities. Generally, neither equities by themselves nor fixed income investments by themselves should exceed 80% of the investment balance.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The Organization has a policy of appropriating, no more often than quarterly, dividend and interest income from the endowment fund.

Note 10—Restrictions on net assets

Net assets with donor restrictions are comprised of the following at June 30:

	2020	2019
Endowment contribution to be held in perpetuity	\$ 25,000	\$ -
Capital renovations	10,600	-
Operating resources in next fiscal year	2,800	-
	<u>\$ 38,400</u>	<u>\$ -</u>

Board-designated net assets are available for the following purpose at June 30:

	2020	2019
Board-designated endowment fund	<u>\$ 866,758</u>	<u>\$ 911,185</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

Note 11—Concentrations

Cash and investments include funds deposited in federally insured bank accounts. Balances on deposit may at times exceed federally insured limits.

The Organization received approximately 23% of its total revenue from two donors for the year ended June 30, 2019.

Note 12—Contributed services

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the consolidated statements of activities because the criteria for recognition under U.S. GAAP has not been satisfied.

Note 13—Related party transactions

The Organization enters into various transactions with companies and organizations owned by or affiliated with its Board of Directors members. Such transactions are generally consummated at terms typically found in arm's-length transactions.

Note 14—Commitments and contingencies

The Organization is periodically subject to legal actions which arise in the course of business. Management is unable to predict the ultimate outcome of such litigation but does not believe an ultimate liability with respect to such litigation will be material to the consolidated operating results or consolidated financial position of the Organization. As a result, no accrual for any liability is included in the consolidated financial statements.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The outbreak could have a material, adverse impact on the economic and market conditions and trigger a period of global economic shutdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to the Organization, its performance, and its financial results.

SUPPLEMENTAL SCHEDULES

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 333,939	\$ -	\$ 333,939
Investments	245,190	-	245,190
Grants, accounts, and contributions receivable	60,711	-	60,711
Prepaid expenses	5,111	-	5,111
Total Current Assets	<u>644,951</u>	<u>-</u>	<u>644,951</u>
Property and Equipment:			
Land	178,000	-	178,000
Buildings	1,681,990	-	1,681,990
Equipment	204,923	-	204,923
Playground	124,997	-	124,997
Bus	59,630	-	59,630
	<u>2,249,540</u>	<u>-</u>	<u>2,249,540</u>
Less accumulated depreciation	<u>(549,650)</u>	<u>-</u>	<u>(549,650)</u>
Property and Equipment, net	<u>1,699,890</u>	<u>-</u>	<u>1,699,890</u>
Investments - endowment	<u>-</u>	<u>891,758</u>	<u>891,758</u>
Total Assets	<u>\$ 2,344,841</u>	<u>\$ 891,758</u>	<u>\$ 3,236,599</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 25,708	\$ -	\$ 25,708
Accrued expenses	35,006	-	35,006
Total Current Liabilities	<u>60,714</u>	<u>-</u>	<u>60,714</u>
Net Assets:			
Board designated	-	866,758	866,758
Undesignated	<u>2,270,727</u>	<u>-</u>	<u>2,270,727</u>
Total Without Donor Restrictions	<u>2,270,727</u>	<u>866,758</u>	<u>3,137,485</u>
With donor restrictions	<u>13,400</u>	<u>25,000</u>	<u>38,400</u>
Total Net Assets	<u>2,284,127</u>	<u>891,758</u>	<u>3,175,885</u>
Total Liabilities and Net Assets	<u>\$ 2,344,841</u>	<u>\$ 891,758</u>	<u>\$ 3,236,599</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2019

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidated</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 201,466	\$ -	\$ 201,466
Investments	144,383	-	144,383
Grants, accounts, and contributions receivable	48,234	-	48,234
Prepaid expenses	5,936	-	5,936
Total Current Assets	<u>400,019</u>	<u>-</u>	<u>400,019</u>
Property and Equipment:			
Land	178,000	-	178,000
Buildings	1,599,295	-	1,599,295
Equipment	189,423	-	189,423
Playground	122,397	-	122,397
Bus	59,630	-	59,630
	<u>2,148,745</u>	<u>-</u>	<u>2,148,745</u>
Less accumulated depreciation	<u>(479,625)</u>	<u>-</u>	<u>(479,625)</u>
Property and Equipment, net	<u>1,669,120</u>	<u>-</u>	<u>1,669,120</u>
Investments - endowment	<u>-</u>	<u>911,185</u>	<u>911,185</u>
Total Assets	<u>\$ 2,069,139</u>	<u>\$ 911,185</u>	<u>\$ 2,980,324</u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 16,682	\$ -	\$ 16,682
Accrued expenses	36,933	-	36,933
Note payable	9,585	-	9,585
Total Current Liabilities	<u>63,200</u>	<u>-</u>	<u>63,200</u>
Noncurrent Liabilities:			
Note payable, net of current portion	<u>35,463</u>	<u>-</u>	<u>35,463</u>
Total Liabilities	<u>98,663</u>	<u>-</u>	<u>98,663</u>
Net Assets:			
Board designated	-	911,185	911,185
Undesignated	<u>1,970,476</u>	<u>-</u>	<u>1,970,476</u>
Total Without Donor Restrictions	<u>1,970,476</u>	<u>911,185</u>	<u>2,881,661</u>
With donor restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>1,970,476</u>	<u>911,185</u>	<u>2,881,661</u>
Total Liabilities and Net Assets	<u>\$ 2,069,139</u>	<u>\$ 911,185</u>	<u>\$ 2,980,324</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Organization	Endowment	Consolidating Entries	Consolidated
Public Support and Revenues:				
Public Support:				
Contributions	\$ 440,339	\$ 25,000	\$ -	\$ 465,339
Membership fundraising activities	175,919	-	-	175,919
Total Public Support	616,258	25,000	-	641,258
Revenues:				
Day home fees	745,135	-	-	745,135
Paycheck Protection Program grant	183,192	-	-	183,192
DHS food subsidies	51,560	-	-	51,560
Gain on insurance proceeds	51,264	-	-	51,264
Facility revenue	21,851	-	-	21,851
Investment return, net	33,271	(15,713)	(28,714)	(11,156)
Total Revenues	1,086,273	(15,713)	(28,714)	1,041,846
Total Public Support and Revenues	1,702,531	9,287	(28,714)	1,683,104
Expenses:				
Contributions to day home	-	28,714	(28,714)	-
Program services	1,187,045	-	-	1,187,045
Supporting services	201,835	-	-	201,835
Total Expenses	1,388,880	28,714	(28,714)	1,388,880
Change in net assets	\$ 313,651	\$ (19,427)	\$ -	\$ 294,224

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 435,424	\$ -	\$ -	\$ 435,424
Membership fundraising activities	227,513	-	-	227,513
Total Public Support	<u>662,937</u>	<u>-</u>	<u>-</u>	<u>662,937</u>
Revenues:				
Day home fees	642,551	-	-	642,551
DHS food subsidies	70,944	-	-	70,944
Investment return, net	34,647	67,134	(27,494)	74,287
Gain on insurance proceeds	-	-	-	-
Facility revenue	<u>17,726</u>	<u>-</u>	<u>-</u>	<u>17,726</u>
Total Revenues	<u>765,868</u>	<u>67,134</u>	<u>(27,494)</u>	<u>805,508</u>
Total Public Support and Revenues	<u>1,428,805</u>	<u>67,134</u>	<u>(27,494)</u>	<u>1,468,445</u>
Expenses:				
Contributions to day home	-	27,494	(27,494)	-
Program services	1,122,937	-	-	1,122,937
Supporting services	<u>268,887</u>	<u>-</u>	<u>-</u>	<u>268,887</u>
Total Expenses	<u>1,391,824</u>	<u>27,494</u>	<u>(27,494)</u>	<u>1,391,824</u>
Change in net assets	<u>\$ 36,981</u>	<u>\$ 39,640</u>	<u>\$ -</u>	<u>\$ 76,621</u>