

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

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR 1-2

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position 3
Consolidated Statements of Activities 4-5
Consolidated Statements of Functional Expenses 6-7
Consolidated Statements of Cash Flows..... 8
Notes to the Consolidated Financial Statements 9-17

SUPPLEMENTAL SCHEDULES

Consolidating Statements of Financial Position 18-19
Consolidating Statements of Activities 20-21

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, 2021 and 2020, 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 audit 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, 2021 and 2020, 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.

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.

Chung Berkant LLP

Nashville, Tennessee
December 20, 2021

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

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 513,572	\$ 333,939
Investments	293,293	245,190
Grants, accounts, and contributions receivable	32,567	60,711
Prepaid expenses	5,001	5,111
Total Current Assets	<u>844,433</u>	<u>644,951</u>
Property and Equipment:		
Land	178,000	178,000
Buildings	1,681,990	1,681,990
Equipment	206,972	204,923
Playground	124,997	124,997
Bus	59,630	59,630
	<u>2,251,589</u>	<u>2,249,540</u>
Less accumulated depreciation	<u>(625,309)</u>	<u>(549,650)</u>
Property and Equipment, net	<u>1,626,280</u>	<u>1,699,890</u>
Investments - endowment	<u>1,084,922</u>	<u>891,758</u>
Total Assets	<u><u>\$ 3,555,635</u></u>	<u><u>\$ 3,236,599</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 24,822	\$ 25,708
Accrued expenses	11,481	35,006
Deferred revenue	24,292	-
Total Current Liabilities	<u>60,595</u>	<u>60,714</u>
Net Assets:		
Board designated	1,059,922	866,758
Undesignated	2,410,118	2,270,727
Total Without Donor Restrictions	<u>3,470,040</u>	<u>3,137,485</u>
With donor restrictions	<u>25,000</u>	<u>38,400</u>
Total Net Assets	<u>3,495,040</u>	<u>3,175,885</u>
Total Liabilities and Net Assets	<u><u>\$ 3,555,635</u></u>	<u><u>\$ 3,236,599</u></u>

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

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues:			
Public Support:			
Contributions	\$ 424,173	\$ -	\$ 424,173
Membership fundraising activities	216,637	-	216,637
Total Public Support	640,810	-	640,810
Revenues:			
Day home fees	793,312	-	793,312
DHS food subsidies	60,501	-	60,501
Facility revenue	3,967	-	3,967
Investment return, net	243,358	-	243,358
Total Revenues	1,101,138	-	1,101,138
Net assets released from restrictions	13,400	(13,400)	-
Total Public Support and Revenues	1,755,348	(13,400)	1,741,948
Expenses:			
Program services	1,199,085	-	1,199,085
Supporting services	223,708	-	223,708
Total Expenses	1,422,793	-	1,422,793
Change in net assets	332,555	(13,400)	319,155
Net assets, beginning of year	3,137,485	38,400	3,175,885
Net assets, end of year	\$ 3,470,040	\$ 25,000	\$ 3,495,040

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

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 STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Supporting Services			Total Expenses
	Day Home	Fundraising Activities	General and Administrative	Total	
Salaries	\$ 745,250	\$ 42,830	\$ 68,529	\$ 111,359	\$ 856,609
Repairs and maintenance	125,509	-	-	-	125,509
Groceries	65,266	-	-	-	65,266
Payroll taxes	53,276	3,276	5,242	8,518	61,794
Legal and professional fees	-	-	42,863	42,863	42,863
Employee benefits	29,212	2,062	3,093	5,155	34,367
Insurance	30,325	-	1,843	1,843	32,168
Utilities	30,210	-	-	-	30,210
Children's enrichment	20,574	-	-	-	20,574
Printing and technology	-	-	18,012	18,012	18,012
Credit card fees	-	-	15,539	15,539	15,539
Teacher and family education	11,554	-	-	-	11,554
Classroom expenses	11,017	-	-	-	11,017
Advertising and other fundraising	-	9,334	-	9,334	9,334
Office supplies and expenses	-	-	9,125	9,125	9,125
Permits and memberships	-	-	1,960	1,960	1,960
Auto expense	1,120	-	-	-	1,120
Miscellaneous	113	-	-	-	113
	1,123,426	57,502	166,206	223,708	1,347,134
Depreciation	75,659	-	-	-	75,659
	<u>\$ 1,199,085</u>	<u>\$ 57,502</u>	<u>\$ 166,206</u>	<u>\$ 223,708</u>	<u>\$ 1,422,793</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 STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services			Total
	Day Home	Fundraising Activities	General and Administrative	Total	Expenses
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 STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 319,155	\$ 294,224
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,659	70,025
Realized and unrealized (gain) loss on investments, net	(204,986)	43,079
Changes in operating assets and liabilities:		
Grants, accounts, and contributions receivable	28,144	(12,477)
Prepaid expenses	110	825
Accounts payable	(886)	9,026
Accrued expenses	(23,525)	(1,927)
Deferred revenue	24,292	-
Net cash flows from operating activities	<u>217,963</u>	<u>402,775</u>
Cash flows from investing activities:		
Proceeds from sale of investments	433,372	107,931
Purchase of investments	(469,653)	(232,390)
Purchase of property and equipment	<u>(2,049)</u>	<u>(100,795)</u>
Net cash flows from investing activities	<u>(38,330)</u>	<u>(225,254)</u>
Cash flows from financing activities:		
Principal payments on note payable	<u>-</u>	<u>(45,048)</u>
Net cash flows from financing activities	<u>-</u>	<u>(45,048)</u>
Change in cash and cash equivalents	179,633	132,473
Cash and cash equivalents, beginning of year	<u>333,939</u>	<u>201,466</u>
Cash and cash equivalents, end of year	<u><u>\$ 513,572</u></u>	<u><u>\$ 333,939</u></u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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, 2021 AND 2020

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, 2021.

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.

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.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

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.

Revenue Recognition / Recently Adopted Accounting Pronouncements – In May 2014, FASB issued Accounting Standards Update (“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. Management evaluated the impact of this standard on the consolidated financial statements of the Organization and determined the accounting standard did not require a change to the Organization’s practice of recognizing revenues.

Day Home Fees Revenue Recognition – Day home fees revenue is reported in the consolidated statement of activities in the month in which the related services are rendered.

Deferred Revenue – Day home fee revenues received prior to the month in which the services are provided are reported as deferred.

Contract Balances – Net accounts receivable were \$729 as of June 30, 2021. Deferred revenue was \$24,292, as of June 30, 2021.

Accounts receivable consist of amounts due from program services rendered, and are presented net of an allowance for doubtful accounts. Management evaluates the collectability of accounts receivable based primarily on the length of time the receivables are past due, historical experience, and families’ ability to meet their financial obligations. When an account is deemed to be uncollectible, the Organization recognizes an allowance for doubtful accounts. However, actual accounts receivable write-offs might differ from management’s estimate. All balances outstanding at June 30, 2021 are deemed to be fully collectible.

Performance Obligations and Revenue Recognition – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization’s revenue within the scope of ASC 606 principally consists of day home fees. The contract obligations related to these services are satisfied when the services are rendered.

Practical Expedients and Exemptions – There are several practical expedients and exemptions allowed under ASC 606 that impact timing of revenue recognition and disclosures. The one practical expedient the Organization applied in the application of ASC 606 allows the Organization to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

Revenues from non-exchange transactions (contributions and government grants) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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

Accounting Policies for Future Pronouncements – 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 December 20, 2021, when these consolidated financial statements were available to be issued.

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, 2021 and 2020, 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:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 513,572	\$ 333,939
Grants, accounts, and contributions receivable	32,567	60,711
Investments	293,293	245,190
Investments - endowment	1,084,922	891,758
Less amounts not available to be used for general expenditure:		
Net assets with board designation	(1,059,922)	(866,758)
Net assets with donor restrictions	(25,000)	(38,400)
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 839,432</u>	<u>\$ 626,440</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, 2021 AND 2020

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, 2021 and 2020, the Organization received \$606,196 and \$390,256 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, 2021 and 2020, there was a subsidy receivable of \$29,934 and \$42,662, 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 (“MOU”) 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 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, 2021 and 2020, the Organization received \$36,204 and \$53,846, respectively, in reimbursement for the FEP, which is included in the accompanying consolidated statement of activities in Day Home Fees and Contributions. The Organization signed a partnership agreement to continue the FEP through September 30, 2022.

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:

	2021	2020
Equity funds	\$ 1,363,702	\$ 1,097,821
Cash equivalents	14,513	39,127
	<u>\$ 1,378,215</u>	<u>\$ 1,136,948</u>

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

	2021	2020
Interest and dividends	\$ 38,372	\$ 31,923
Realized and unrealized (loss) gain, net	204,986	(43,079)
	<u>\$ 243,358</u>	<u>\$ (11,156)</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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 \$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 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, 2021 or 2020.

In December 2021, this line of credit agreement was renewed under substantially the same terms through December 31, 2023.

Note 8—Paycheck Protection Program loan

During April 2020, the Organization received a Paycheck Protection Program loan ("PPP") in the amount of \$183,192. The PPP loan was 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 had been substantially met. The Organization received formal notification of the loan forgiveness in January 2021.

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. No similar gifts were received during the year ended June 30, 2021.

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

JUNE 30, 2021 AND 2020

Note 9—Endowment fund (continued)

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 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	<u>\$ 1,059,922</u>	<u>\$ 25,000</u>	<u>\$ 1,084,922</u>

Changes in endowment net assets for the year ended June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 866,758	\$ 25,000	\$ 891,758
Contributions	-	-	-
Appropriations of assets for expenditure	(25,447)	-	(25,447)
Investment return, net	218,611	-	218,611
Endowment net assets, end of year	<u>\$ 1,059,922</u>	<u>\$ 25,000</u>	<u>\$ 1,084,922</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds	<u>\$ 866,758</u>	<u>\$ 25,000</u>	<u>\$ 891,758</u>

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	<u>\$ 866,758</u>	<u>\$ 25,000</u>	<u>\$ 891,758</u>

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 9—Endowment fund (continued)

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:

	2021	2020
Endowment contribution to be held in perpetuity	\$ 25,000	\$ 25,000
Capital renovations	-	10,600
Operating resources in next fiscal year	-	2,800
	<u>\$ 25,000</u>	<u>\$ 38,400</u>

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

	2021	2020
Board-designated endowment fund	<u>\$ 1,059,922</u>	<u>\$ 866,758</u>

Note 11—Concentrations

At June 30, 2021 and 2020, bank account balances, including certificates of deposit and money market accounts held by brokerages, that were not covered by the Federal Deposit Insurance Corporation ("FDIC") or the National Credit Union Association, totaled \$278,949 and \$89,684, respectively. The Organization has not experienced any losses of such funds and management believes the Organization is not exposed to significant credit risk related to cash.

At June 30, 2021 and 2020, investments were managed by one brokerage and investment company with account balances totaling \$1,378,215 and \$1,136,948. Investments in the accounts are invested in various stocks, bonds, and mutual funds. Investments are not insured by FDIC or any other government agency and are subject to investment risk, including loss of principal. Investments are insured by the Securities and Investor Protection Corporation, which covers investor losses, in some cases, attributable to bankruptcy or fraudulent practices of brokerage firms.

FANNIE BATTLE DAY HOME FOR CHILDREN, INC. AND AFFILIATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 11—Concentrations (continued)

Approximately 92% of grants, accounts and contributions receivable at June 30, 2021 was due from the Tennessee Department of Children Services. Approximately 70% of grants, accounts, and contributions receivable at June 30, 2020 was due from the Tennessee Department of Children Services.

During the year ended June 30, 2021, the Tennessee Department of Children Services provided approximately 63% of the Organization's day home fees revenue. During the year ended June 30, 2020, the Tennessee Department of Children Services provided approximately 45% of the Organization's day home fees revenue. Management does not anticipate changes in funding for the tuition in the foreseeable future.

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 volatility in the financial markets. 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, 2021

	Organization	Endowment	Consolidated
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 513,572	\$ -	\$ 513,572
Investments	293,293	-	293,293
Grants, accounts, and contributions receivable	32,567	-	32,567
Prepaid expenses	5,001	-	5,001
Total Current Assets	844,433	-	844,433
Property and Equipment:			
Land	178,000	-	178,000
Buildings	1,681,990	-	1,681,990
Equipment	206,972	-	206,972
Playground	124,997	-	124,997
Bus	59,630	-	59,630
	2,251,589	-	2,251,589
Less accumulated depreciation	(625,309)	-	(625,309)
Property and Equipment, net	1,626,280	-	1,626,280
Investments - endowment	-	1,084,922	1,084,922
Total Assets	\$ 2,470,713	\$ 1,084,922	\$ 3,555,635
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 24,822	\$ -	\$ 24,822
Accrued expenses	11,481	-	11,481
Deferred revenue	24,292	-	24,292
Total Current Liabilities	60,595	-	60,595
Net Assets:			
Board designated	-	1,059,922	1,059,922
Undesignated	2,410,118	-	2,410,118
Total Without Donor Restrictions	2,410,118	1,059,922	3,470,040
With donor restrictions	-	25,000	25,000
Total Net Assets	2,410,118	1,084,922	3,495,040
Total Liabilities and Net Assets	\$ 2,470,713	\$ 1,084,922	\$ 3,555,635

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

JUNE 30, 2020

	Organization	Endowment	Consolidated
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	644,951	-	644,951
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
	2,249,540	-	2,249,540
Less accumulated depreciation	(549,650)	-	(549,650)
Property and Equipment, net	1,699,890	-	1,699,890
Investments - endowment	-	891,758	891,758
Total Assets	\$ 2,344,841	\$ 891,758	\$ 3,236,599
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 25,708	\$ -	\$ 25,708
Accrued expenses	35,006	-	35,006
Total Current Liabilities	60,714	-	60,714
Net Assets:			
Board designated	-	866,758	866,758
Undesignated	2,270,727	-	2,270,727
Total Without Donor Restrictions	2,270,727	866,758	3,137,485
With donor restrictions	13,400	25,000	38,400
Total Net Assets	2,284,127	891,758	3,175,885
Total Liabilities and Net Assets	\$ 2,344,841	\$ 891,758	\$ 3,236,599

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

YEAR ENDED JUNE 30, 2021

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 424,173	\$ -	\$ -	\$ 424,173
Membership fundraising activities	216,637	-	-	216,637
Total Public Support	<u>640,810</u>	<u>-</u>	<u>-</u>	<u>640,810</u>
Revenues:				
Day home fees	793,312	-	-	793,312
DHS food subsidies	60,501	-	-	60,501
Facility revenue	3,967	-	-	3,967
Investment return, net	50,194	218,611	(25,447)	243,358
Total Revenues	<u>907,974</u>	<u>218,611</u>	<u>(25,447)</u>	<u>1,101,138</u>
Total Public Support and Revenues	<u>1,548,784</u>	<u>218,611</u>	<u>(25,447)</u>	<u>1,741,948</u>
Expenses:				
Contributions to day home	-	25,447	(25,447)	-
Program services	1,199,085	-	-	1,199,085
Supporting services	223,708	-	-	223,708
Total Expenses	<u>1,422,793</u>	<u>25,447</u>	<u>(25,447)</u>	<u>1,422,793</u>
Change in net assets	<u>\$ 125,991</u>	<u>\$ 193,164</u>	<u>\$ -</u>	<u>\$ 319,155</u>

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

YEAR ENDED JUNE 30, 2020

	<u>Organization</u>	<u>Endowment</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
Public Support and Revenues:				
Public Support:				
Contributions	\$ 440,339	\$ 25,000	\$ -	\$ 465,339
Membership fundraising activities	175,919	-	-	175,919
Total Public Support	<u>616,258</u>	<u>25,000</u>	<u>-</u>	<u>641,258</u>
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	<u>1,086,273</u>	<u>(15,713)</u>	<u>(28,714)</u>	<u>1,041,846</u>
Total Public Support and Revenues	<u>1,702,531</u>	<u>9,287</u>	<u>(28,714)</u>	<u>1,683,104</u>
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	<u>1,388,880</u>	<u>28,714</u>	<u>(28,714)</u>	<u>1,388,880</u>
Change in net assets	<u>\$ 313,651</u>	<u>\$ (19,427)</u>	<u>\$ -</u>	<u>\$ 294,224</u>