HOME PARK LEARNING CENTER, INC.

FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2006 AND 2005

TW **Tomkiewicz Wright, LLC**
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors and Officers
Home Park Learning Center, Inc.
Atlanta, Georgia

We have audited the accompanying statements of financial position of Home Park Learning Center, Inc. (a nonprofit organization) as of June 30, 2006 and 2005, and the related statements of activities, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home Park Learning Center, Inc. as of June 30, 2006 and 2005, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Tomkiewicz Wright, LLC

September 21, 2006

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HOME PARK LEARNING CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
Cash and cash equivalents	$ 143	$ 9,954
Accounts receivable	-0-	3,283
Prepaid insurance	7,661	7,661
Prepaid expense – other	7,230	-0-
Capitalized startup costs, net of amortization	-0-	5,000
Property and equipment, net of depreciation	1,460,802	1,532,207
TOTAL ASSETS	$ 1,475,836	$ 1,558,105
LIABILITIES AND NET ASSETS		
Accounts payable	$ -0-	$ 13,068
Unrestricted net assets	1,475,836	1,545,037
TOTAL LIABILITIES AND NET ASSETS	$ 1,475,836	$ 1,558,105

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and support:		
Unrestricted contributions	$ 201,984	$ 187,036
Management services revenue	29,848	36,420
Total unrestricted revenues and support	231,832	223,456
Expenses:		
Program services	297,003	302,663
Management and general	4,030	4,000
Total expenses	301,033	306,663
Decrease in unrestricted net assets	(69,201)	(83,207)
Net assets, beginning of year	1,545,037	1,628,244
Net assets, end of year	$ 1,475,836	$ 1,545,037

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	$ (69,201)	$ (83,207)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	76,405	81,404
Changes in operating assets and liabilities:		
Accounts receivable	3,283	14,613
Prepaid insurance	-0-	1,819
Prepaid expense – other	(7,230)	-0-
Accounts payable	(13,068)	(4,828)
Net cash (used in) provided by operating activities	(9,811)	9,801
CASH AND CASH EQUIVALENTS, beginning of year	9,954	153
CASH AND CASH EQUIVALENTS, end of year	$ 143	$ 9,954

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2006 AND 2005

	Program Services	Management and General	Total Year Ended June 30, 2006	Total Year Ended June 30, 2005
Salaries	$ 24,168	$ -0-	$ 24,168	$ 29,300
Fringe benefits	5,680	-0-	5,680	7,120
Total compensation and benefits	29,848	-0-	29,848	36,420
Repairs and maintenance	90,586	-0-	90,586	57,200
Management contract fees	70,095	-0-	70,095	92,565
Professional fees	-0-	4,000	4,000	4,000
Insurance	14,451	-0-	14,451	16,269
Depreciation	71,405	-0-	71,405	71,404
Amortization	5,000	-0-	5,000	10,000
Supplies	15,618	-0-	15,618	18,805
Licenses and fees	-0-	30	30	-0-
Total expenses	$ 297,003	$ 4,030	$ 301,033	$ 306,663

See notes to financial statements.

1. Organization and Summary of Significant Accounting Policies:

Home Park Learning Center, Inc. (the Organization), is a Georgia non-profit corporation and cooperative organization of Georgia Institute of Technology (GIT) formed to provide child care services to the faculty, staff, and students of GIT and the residents of the Home Park community.

Basis of Accounting
The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations.* Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents
The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property and Equipment
Property and equipment are stated at cost. Depreciation is recognized on a straight-line basis over the estimated useful lives of the assets.

Revenue Recognition
The Organization has adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made,* whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give are recognized as receivables and as revenues in the period in which the Organization is notified by the donor of his or her commitment to make a contribution. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes
The Organization is a not-for-profit corporation and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying financial statements.

1. Organization and Summary of Significant Accounting Policies (continued):

Estimates and Assumptions

The Organization uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

2. Memorandum of Agreement:

A memorandum of agreement between the Organization and GIT was signed on April 1, 2003, which allows GIT to provide financial support to the Organization.

3. Management Contract Fees:

The Organization contracts the daily operations of the child care center to Bright Horizons Family Solutions, Inc. (Bright Horizons), a for-profit company which operates such centers nationwide. The Organization and Bright Horizons executed a management agreement with a three-year term through December 31, 2005, which thereafter automatically renews for successive one-year terms unless terminated by one of the parties.

Management contract fees consist of a flat monthly management fee set by the management agreement, plus reimbursable operational expenses which are defined in and allowed by the management agreement. Bright Horizons collects revenues from program participants, and bills the Organization for any amount by which the management contract fees exceed the revenues received for the month. If revenues exceed the fees, Bright Horizons issues a credit memo to the Organization to be applied to future months' fees. Net amounts paid by the Organization to Bright Horizon under this agreement total $70,095 and $92,565 for the years ended June 30, 2006 and 2005.

4. Concentrations:

The Organization receives significant resources from GIT and related organizations. An interruption of this support could cause substantial doubt in the Organization's ability to continue as an independent entity.

5. Prepaid expense - other:

As described in Note 3, during some months of operation, Bright Horizons may receive sufficient revenues from outside sources to fully offset the management contract fees described in Note 3. If these revenues exceed the monthly fees, Bright Horizons credits the amount of the excess against the management contract fees of future months. At June 30, 2006, the Organization had an outstanding credit of $7,230 to be applied against future expenses.

6. Capitalized Startup Costs:

Capitalized startup costs are fees which were paid to Bright Horizons prior to commencement of operations to develop curriculum and otherwise plan the operations of the child care center. These costs, which are amortized over the three-year term of the initial contract agreement with the management company, total $30,000 at June 30, 2006 and 2005, and amortization expense of $5,000 and $10,000 was incurred during the years then ended. These costs were fully amortized at June 30, 2006.

7. Property and Equipment:

Property and equipment at June 30 consists of the following:

	2006	2005
Leasehold improvements	$ 1,617,295	$ 1,617,295
Furniture and equipment	87,472	87,472
	1,704,767	1,704,767
Accumulated depreciation	243,965	172,560
	$ 1,460,802	$ 1,532,207

8. Operating Lease Commitments:

The Organization leases land from the City of Atlanta on which the child care center is constructed. The lease term is five years, and is renewable for five additional five-year terms, for a total of thirty years.

Under the lease terms, the Organization pays the city $1 per year for use of the land, which is substantially below fair market value. In return, the leasehold improvements the Organization makes to the land remain the property of the city at the end of the lease. Due to the mutual consideration in this agreement, there is no recognition of an in-kind contribution by the city for the fair market value of the land lease.

9. Management Services Revenue, Repairs and Maintenance Expense, and Supplies Expense:

Under the memorandum of agreement (see Note 2), the Organization provides child care services beneficial to GIT. In accordance with this agreement, the Organization receives administrative and other services provided by employees of GIT. The value of these services is estimated as $29,848 and $36,420 for the years ended June 30, 2006 and 2005, based on the estimated amount of time spent rendering services to the Organization at the employees' compensation rates. These amounts are included in management services revenue and program services expense in the accompanying statements of activities.

During the years ended June 30, 2006 and 2005, GIT also provided repair and maintenance services for the Organization's physical facility of $90,586 and $57,200, and supplies for the Organization's programs in the amount of $15,618 and $18,805. Both amounts are included in unrestricted revenues and program services expense in the accompanying statements of activities.

10. Related Party Receivable:

At June 30, 2005, the full balance of accounts receivable was due from GIT for reimbursable costs incurred.