

HOME PARK LEARNING CENTER, INC.

FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Home Park Learning Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility


Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Home Park Learning Center, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



Atlanta, Georgia
November 18, 2016

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
Cash and cash equivalents	\$ 105,539	\$ 106,763
Prepaid insurance	8,017	6,789
Prepaid expenses – other	38,604	7,069
Property and equipment, net of depreciation and amortization	894,003	947,913
Restricted contribution receivable	72,500	77,333
 TOTAL ASSETS	 \$ 1,118,663	 \$ 1,145,867
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 59,258	\$ 11,063
 NET ASSETS:		
Unrestricted net assets	986,905	1,008,162
Temporarily restricted net assets	72,500	126,642
	1,059,405	1,134,804
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,118,663	 \$ 1,145,867

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and support:		
Unrestricted contributions	\$ 158,510	\$ 337,696
Management services revenue	31,377	43,215
Interest income	115	184
Net assets released from restriction	54,142	116,847
Total unrestricted revenues and support	244,144	497,942
Expenses:		
Program services	227,390	515,404
Management and general	38,011	49,849
Total expenses	265,401	565,253
Decrease in unrestricted net assets	(21,257)	(67,311)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues and support:		
Temporarily restricted contribution	-0-	40,000
Net assets released from restriction	(54,142)	(116,847)
Decrease in temporarily restricted net assets	(54,142)	(76,847)
DECREASE IN NET ASSETS	(75,399)	(144,158)
NET ASSETS, beginning of year	1,134,804	1,278,962
NET ASSETS, end of year	\$ 1,059,405	\$ 1,134,804

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (75,399)	\$ (144,158)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	53,910	53,910
Changes in operating assets and liabilities:		
Other receivables	-0-	1,320
Prepaid insurance	(1,228)	219
Prepaid expense – other	(31,535)	(2,074)
Restricted contribution receivable	4,833	4,834
Accounts payable	<u>48,195</u>	<u>6,068</u>
Net cash used in operating activities	(1,224)	(79,881)
CASH AND CASH EQUIVALENTS, beginning of year	<u>106,763</u>	<u>186,644</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 105,539</u>	<u>\$ 106,763</u>

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Program Services	Management and General	Total
Salaries	\$ -0-	\$ 24,136	\$ 24,136
Fringe benefits	-0-	7,241	7,241
Total compensation and benefits	-0-	31,377	31,377
Repairs and maintenance	89,005	-0-	89,005
Noncapitalized equipment costs	27,807	-0-	27,807
Management contract fees	42,363	-0-	42,363
Professional fees	-0-	5,000	5,000
Insurance	9,360	1,604	10,964
Depreciation and amortization	53,910	-0-	53,910
Supplies	112	-0-	112
Licenses and fees	-0-	30	30
Rent	4,833	-0-	4,833
Total expenses	\$ 227,390	\$ 38,011	\$ 265,401

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services	Management and General	Total
Salaries	\$ -0-	\$ 33,424	\$ 33,424
Fringe benefits	-0-	9,791	9,791
Total compensation and benefits	-0-	43,215	43,215
Repairs and maintenance	256,621	-0-	256,621
Noncapitalized equipment costs	42,980	-0-	42,980
Management contract fees	146,354	-0-	146,354
Professional fees	-0-	5,000	5,000
Insurance	8,782	1,604	10,386
Depreciation and amortization	53,910	-0-	53,910
Supplies	1,923	-0-	1,923
Licenses and fees	-0-	30	30
Rent	4,834	-0-	4,834
Total expenses	\$ 515,404	\$ 49,849	\$ 565,253

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

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 the 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 ("FASB") Accounting Standards Codification ("ASC") 958, *Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

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

It is the Organization's policy to capitalize at cost personal property additions in excess of \$5,000, in agreement with GIT's capitalization policy. Lesser amounts are expensed. Renovations to real property are expensed if they do not materially increase the value or life of the property. Property and equipment are stated at cost. Depreciation and amortization are recognized on a straight-line basis over the estimated useful lives of the assets. All current depreciation and amortization expense in the accompanying financial statements is attributable to leasehold improvements with an estimated useful life of thirty years.

Revenue Recognition

In accordance with ASC 958, 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 Statements of Activities and in the Statements 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.

Under ASC 740, *Income Taxes*, the Organization assesses the likelihood, based on their technical merit, that tax positions taken in its annual informational tax return will be sustained upon examination of the facts, circumstances and information available at the end of each financial statement period. Unrecognized tax benefits are measured and recorded as a liability where the Organization has determined it to be probable a tax position would not be sustained and the amount of the unrecognized tax benefit, including associated penalties and interest, can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position, or for all uncertain tax positions in the aggregate, could differ from the amount recognized.

ASC 740 is applicable to not-for-profit entities in that certain matters, such as the Organization's tax-exempt status, are considered tax positions taken in its annual informational tax return and thus must be assessed for potential unrecognized tax benefits.

Management has determined that there is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken, or expected to be taken, on its informational tax returns as of June 30, 2016. No informational tax returns are currently under examination.

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.

Date of Management's Review

In accordance with ASC 855, *Subsequent Events*, management has performed a review of the Organization's subsequent events and transactions through November 18, 2016, which is the date the financial statements are available for issue.

2. Memorandum of Understanding:

A Memorandum of Understanding ("MOU") between the Organization and GIT, most recently renewed on July 1, 2015, allows GIT to provide restricted financial resources to the Organization. The Organization also receives financial support from the Georgia Tech Foundation ("GTF"), which is also a Georgia non-profit corporation and cooperative organization of GIT.

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, 2007, 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 expenses incurred by the Organization under this agreement total \$42,363 and \$146,354 for the years ended June 30, 2016 and 2015.

4. Concentrations:

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

5. Prepaid Expenses – Other:

Prepaid expenses – other consists of credit balances due from Bright Horizons under the management contract described in Note 3.

6. Restricted Contribution Receivable:

Restricted contribution receivable consists of the excess of the value of a land lease entered with the City of Atlanta over the actual payments made, as further described in Note 8.

7. Property and Equipment:

Property and equipment at June 30 consists of the following:

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 1,617,295	\$ 1,617,295
Furniture and equipment	<u>87,472</u>	<u>87,472</u>
	1,704,767	1,704,767
Accumulated depreciation and amortization	<u>810,764</u>	<u>756,854</u>
	<u>\$ 894,003</u>	<u>\$ 947,913</u>

Depreciation and amortization expense for each of the years ended June 30, 2016 and 2015 is \$53,910.

8. Operating Lease Commitment and Land Lease Contribution:

The Organization leases land from the City of Atlanta on which the child care center is constructed. The lease, dated March 2002, has an initial five-year term, 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. The leasehold improvements the Organization makes to the land remain the property of the city at the end of the lease. The Organization and the City of Atlanta are currently in discussions regarding future renewals of the lease.

The Organization recorded a temporarily restricted contribution of \$145,000 to reflect the estimated value of the land lease in excess of the payments made by the Organization to the city over the life of the lease. The restriction is recognized as released on a straight-line basis over the thirty-year life of the lease. At June 30, 2016 and 2015, contributions of \$72,500 and \$77,333 remained under temporary restriction in connection with the lease.

9. Unrestricted Revenues:

During the year ended June 30, 2016, the Organization received \$3,545 from GIT to purchase furniture or refurbish the day care center facility. During the year ended June 30, 2015, the Organization received \$128,675 from GIT and \$48,004 from GTF for these purposes. As these restricted funds were used for their intended purpose during the year received, they are reflected as unrestricted contributions in 2016 and 2015, respectively.

Under the MOU (see Note 2), the Organization provides child care services beneficial to GIT. In accordance with this agreement, during the years ended June 30, 2016 and 2015, GIT provided unrestricted contributions of \$42,363 and \$107,839 which were used to fully or partially pay the management contract fees described in Note 3. During the year ended June 30, 2016, GIT provided an additional unrestricted contribution of \$2,896 for general operations of the Organization.

The Organization receives administrative and other services provided by employees of GIT. The value of these services is estimated at \$31,377 and \$43,215 for the years ended June 30, 2016 and 2015, 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 management and general expense in the accompanying Statements of Activities.

During the years ended June 30, 2016 and 2015, GIT also provided, or purchased on behalf of, the Organization repair and maintenance services totaling \$40,367 and \$2,325, and supplies, telecommunications, insurance, and other administrative resources for the Organization's programs totaling \$19,339 and \$853. These balances are included in unrestricted contributions and in program service expenses in the accompanying Statements of Activities.

During each of the years ended June 30, 2016 and 2015, the Organization received unrestricted contributions of \$50,000 from GTF.

10. Temporarily Restricted Contributions:

During the year ended June 30, 2015, the Organization received \$40,000 from GTF for renovations to the child care center. These contributions were recorded as temporarily restricted net assets at June 30, 2015. These funds were expended on renovations to the child care center and released from restriction during the year ended June 30, 2016.