

HOME PARK LEARNING CENTER, INC.

FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2018 AND 2017

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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, 2018 and 2017, 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

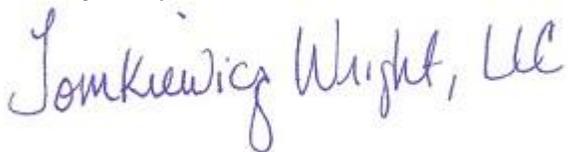
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2018 and 2017, 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 19, 2018

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
Cash and cash equivalents	\$ 354,177	\$ 218,602
Prepaid insurance	8,033	7,733
Prepaid expenses – other	12,150	19,904
Property and equipment, net of depreciation and amortization	786,182	840,092
Restricted contribution receivable	62,833	67,667
 TOTAL ASSETS	 \$ 1,223,375	 \$ 1,153,998
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable	\$ 13,749	\$ 21,485
 NET ASSETS:		
Unrestricted - undesignated	1,106,793	1,024,846
Unrestricted – board designated for repairs and replacement	40,000	40,000
Temporarily restricted net assets	62,833	67,667
	1,209,626	1,132,513
 TOTAL LIABILITIES AND NET ASSETS	 \$ 1,223,375	 \$ 1,153,998

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and support:		
Unrestricted contributions	\$ 148,149	\$ 183,719
Management services revenue	16,423	32,199
Interest income	497	215
Credit balance refund from contractor (see Note 3)	55,751	50,827
Net assets released from restriction	4,834	4,833
Total unrestricted revenues and support	225,654	271,793
Expenses:		
Program services	120,766	155,135
Management and general	22,941	38,717
Total expenses	143,707	193,852
Increase in unrestricted net assets	81,947	77,941
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues and support:		
Net assets released from restriction	(4,834)	(4,833)
Decrease in temporarily restricted net assets	(4,834)	(4,833)
INCREASE IN NET ASSETS	77,113	73,108
NET ASSETS, beginning of year	1,132,513	1,059,405
NET ASSETS, end of year	\$ 1,209,626	\$ 1,132,513

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 77,113	\$ 73,108
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	53,910	53,911
Changes in operating assets and liabilities:		
Prepaid insurance	(300)	284
Prepaid expense – other	7,754	18,700
Restricted contribution receivable	4,834	4,833
Accounts payable	(7,736)	(37,773)
Net cash provided by operating activities	135,575	113,063
CASH AND CASH EQUIVALENTS, beginning of year	218,602	105,539
CASH AND CASH EQUIVALENTS, end of year	\$ 354,177	\$ 218,602

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Total
Salaries	\$ -0-	\$ 12,653	\$ 12,653
Fringe benefits	-0-	3,770	3,770
Total compensation and benefits	-0-	16,423	16,423
Repairs and maintenance	45,152	-0-	45,152
Professional fees	-0-	5,000	5,000
Insurance	9,925	1,488	11,413
Depreciation and amortization	53,910	-0-	53,910
Supplies	2,393	-0-	2,393
Telecommunications	4,552	-0-	4,552
Licenses and fees	-0-	30	30
Rent	4,834	-0-	4,834
Total expenses	\$ 120,766	\$ 22,941	\$ 143,707

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ -0-	\$ 24,769	\$ 24,769
Fringe benefits	<u>-0-</u>	<u>7,430</u>	<u>7,430</u>
Total compensation and benefits	-0-	32,199	32,199
Repairs and maintenance	73,737	-0-	73,737
Noncapitalized equipment costs	1,738	-0-	1,738
Professional fees	-0-	5,000	5,000
Insurance	10,209	1,488	11,697
Depreciation and amortization	53,911	-0-	53,911
Supplies	5,597	-0-	5,597
Telecommunications	5,110	-0-	5,110
Licenses and fees	-0-	30	30
Rent	<u>4,833</u>	<u>-0-</u>	<u>4,833</u>
Total expenses	<u>\$ 155,135</u>	<u>\$ 38,717</u>	<u>\$ 193,852</u>

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018. No informational tax returns are currently under examination.

Estimates and Assumptions

The Organization uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 19, 2018, which is the date the financial statements are available for issue.

New Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. ASU 2016-14 represents the initial phase of a FASB not-for-profit financial reporting project and reduces the number of net asset classes, requires expense presentation by functional and natural classification, requires quantitative and qualitative liquidity information, retains the option to present the cash flow statement by the direct or indirect method, and includes various other additional disclosure requirements. ASU 2016-14 is effective for annual reporting periods beginning after December 15, 2017 with retrospective application. The requirements of this ASU are effective for the Organization for the year ending June 30, 2019. Management has not evaluated the impact of this ASU on the Organization.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires entities to recognize all leased assets as assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities are also required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019, and therefore for the Organization's year ending June 30, 2021. Management has not evaluated the impact of this ASU on the Organization.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting information to financial statement users about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers, and is intended to ensure that the entity recognizes revenues in a manner depicting the transfer of promised goods or services to customers in amounts reflecting the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, in June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which addresses questions arising from ASU 2014-09 regarding its implications for grants and contracts of not-for-profit organizations; specifically, if not-for-profit grants and contracts, based upon their specific terms, fit the definition of contracts with customers such that the new revenue standard would apply, or if they are more appropriately classified as contributions, excluding them from the scope of ASU 2014-09 and instead requiring the application of contribution guidance. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2018, and therefore for the Organization's year ending June 30, 2020. Management has not evaluated the impact of ASUs 2014-09 and 2018-08 on the Organization.

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 and Credits:

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. Due to the credit balance available, no net management contract fee expense was incurred by the Organization during the years ended June 30, 2018 and 2017. Additionally, during the years ended June 30, 2018 and 2017, Bright Horizons remitted payments of \$55,751 and \$50,827 to the Organization in respect of a portion of the cumulative credit balance.

4. Concentrations:

The Organization receives significant resources and support from GIT and related organizations pursuant to various agreements, including a memorandum of understanding 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>2018</u>	<u>2017</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>918,585</u>	<u>864,675</u>
	<u>\$ 786,182</u>	<u>\$ 840,092</u>

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 is \$53,910 and \$53,911.

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. The most recent renewal extends through March 2022. 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 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, 2018 and 2017, contributions of \$62,833 and \$67,667 remained under temporary restriction in connection with the lease.

9. Unrestricted Revenues:

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, 2018 and 2017, GIT provided additional unrestricted contributions of \$13,860 and \$42,617 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 \$16,423 and \$32,199 for the years ended June 30, 2018 and 2017, 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.

GIT provides, or purchases on behalf of, the Organization repair and maintenance services, supplies, telecommunications, insurance, and other administrative resources. These services total \$68,789 and \$91,102 for the years ended June 30, 2018 and 2017. These balances are included in unrestricted contributions and in program service expenses in the accompanying Statements of Activities.

During the years ended June 30, 2018 and 2017, the Organization received unrestricted contributions of \$65,500 and \$50,000 from GTF.