HOME PARK LEARNING CENTER, INC.

FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2011 AND 2010

HOME PARK LEARNING CENTER, INC.

FINANCIAL STATEMENTS
(with report of independent auditors)
YEARS ENDED JUNE 30, 2011 AND 2010

CONTENTS

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 (the "Organization"), as of June 30, 2011 and 2010, 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 audits 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, 2011 and 2010, 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

October 24, 2011

6111 Peachtree-Dunwoody Road, Building E, Suite 102, Atlanta, GA 30328
Tel 770.351.0411 Fax 770.351.0495 www.twcpaga.com

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 89	$ 87
Unconditional promises to give	-0-	2,605
Prepaid insurance	3,785	4,390
Prepaid expenses – other	9,791	-0-
Property and equipment, net of depreciation and amortization	1,163,552	1,217,462
Restricted contribution receivable	96,667	101,500
TOTAL ASSETS	$ 1,273,884	$ 1,326,044
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 9,791	$ 2,605
NET ASSETS:		
Unrestricted net assets	1,167,426	1,221,939
Temporarily restricted net assets	96,667	101,500
	1,264,093	1,323,439
TOTAL LIABILITIES AND NET ASSETS	$ 1,273,884	$ 1,326,044

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and support:		
Unrestricted contributions	$ 55,985	$ 66,107
Management services revenue	80,013	60,695
Interest income	2	-0-
Net assets released from restriction	4,833	4,834
Total unrestricted revenues and support	140,833	131,636
Expenses:		
Program services	103,898	116,732
Management and general	91,448	70,923
Total expenses	195,346	187,655
Decrease in unrestricted net assets	(54,513)	(56,019)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues and support:		
Net assets released from restriction	(4,833)	(4,834)
DECREASE IN NET ASSETS	(59,346)	(60,853)
NET ASSETS, beginning of year	1,323,439	1,384,292
NET ASSETS, end of year	$ 1,264,093	$ 1,323,439

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

		2011		2010
CASH FLOWS FROM OPERATING ACTIVITIES:				
Decrease in net assets	$	(59,346)	$	(60,853)
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:				
Unconditional promises to give		2,605		(2,605)
Prepaid insurance		605		2,109
Prepaid expense – other		(9,791)		1,286
Restricted contribution receivable		4,833		4,834
Accounts payable		7,186		1,319
Net cash provided by operating activities		2		1
CASH AND CASH EQUIVALENTS, beginning of year		87		86
CASH AND CASH EQUIVALENTS, end of year	$	89	$	87

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2011

	Program Services	Management and General	Total
Salaries	$ -0-	$ 63,452	$ 63,452
Fringe benefits	-0-	16,561	16,561
Total compensation and benefits	-0-	80,013	80,013
Repairs and maintenance	10,102	-0-	10,102
Management contract fees	19,570	-0-	19,570
Professional fees	-0-	9,000	9,000
Insurance	6,195	1,462	7,657
Depreciation and amortization	53,910	-0-	53,910
Supplies	9,288	898	10,186
Licenses and fees	-0-	75	75
Rent	4,833	-0-	4,833
Total expenses	$ 103,898	$ 91,448	$ 195,346

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2010

	Program Services	Management and General	Total
Salaries	$ -0-	$ 48,595	$ 48,595
Fringe benefits	-0-	12,100	12,100
Total compensation and benefits	-0-	60,695	60,695
Repairs and maintenance	4,339	-0-	4,339
Management contract fees	17,999	-0-	17,999
Professional fees	-0-	4,500	4,500
Insurance	8,378	1,709	10,087
Depreciation and amortization	53,911	-0-	53,911
Supplies	27,271	3,989	31,260
Licenses and fees	-0-	30	30
Rent	4,834	-0-	4,834
Total expenses	$ 116,732	$ 70,923	$ 187,655

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 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

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 depreciation and amortization expense in the accompanying financial statements is attributable to leasehold improvements with an estimated useful life of thirty years.

Revenue Recognition

The Organization follows ASC 958, *Not-for-Profit Entities,* 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 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.

In June 2006, the FASB issued FASB Interpretation ("FIN") 48, *Accounting for Uncertainty in Income Taxes*. FIN 48, now codified under ASC 740, *Income Taxes,* was adopted by the Organization as required for the year ended June 30, 2010. Under this guidance, the Organization assesses the likelihood, based on their technical merit, that tax positions 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, 2011. No informational tax returns are currently under examination. The statute of limitations on the Organization's informational tax returns remains open for returns covering years ended on or after June 30, 2008.

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 October 24, 2011, which is the date the financial statements are available for issue.

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. Financial support is provided to the Organization through the Georgia Tech Foundation ("GTF").

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 $19,570 and $17,999 for the years ended June 30, 2011 and 2010.

4. Concentrations:

The Organization receives significant resources and support 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. Fair Value Measurements:

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820, are used to measure fair value. FASB ASC 820 requires an entity to maximize the use of observable inputs when measuring fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad areas:

Level 1 – Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 – Inputs to the valuation methodology are:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability, including assumptions regarding risk.

The Organization had no assets or liabilities that were measured and recognized at fair value on a non-recurring or recurring basis as of June 30, 2011 or 2010, and as such had no assets or liabilities that fell into the tiers described above.

6. Unconditional Promises to Give:

At June 30, 2010, unconditional promises to give consists of an unpaid balance reimbursable by GTF under the memorandum of agreement described in Note 2, in connection with management contract fees charged to the Organization by Bright Horizons for services provided during the year then ended. The balance was received during the subsequent year.

7. Prepaid Expenses – Other:

At June 30, 2011, prepaid expenses – other consists of a credit balance due from Bright Horizons under the management contract described in Note 3.

8. 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 10.

9. Property and Equipment:

Property and equipment at June 30 consists of the following:

	2011	2010
Leasehold improvements	$ 1,617,295	$ 1,617,295
Furniture and equipment	87,472	87,472
	1,704,767	1,704,767
Accumulated depreciation and amortization	541,215	487,305
	$ 1,163,552	$ 1,217,462

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 is $53,910 and $53,911.

10. 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 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. 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, 2011 and 2010, contributions of $96,667 and $101,500 remained under temporary restriction in connection with the lease.

11. 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 at $80,013 and $60,695 for the years ended June 30, 2011 and 2010, 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, 2011 and 2010, GIT also provided repair and maintenance services for the Organization's physical facility of $10,102 and $4,339, and supplies, telecommunications, and other administrative resources for the Organization's programs of $10,186 and $31,260. These balances are included in unrestricted revenues, and in program service expenses or management and general expenses, as applicable, in the accompanying Statements of Activities.