

**HOME PARK LEARNING CENTER, INC.**

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FINANCIAL STATEMENTS  
(with report of independent auditors)

YEARS ENDED JUNE 30, 2008 AND 2007

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Home Park Learning Center, Inc., a nonprofit organization (the "Organization"), as of June 30, 2008, and the related statements of activities, cash flows and functional expenses for the year 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 audit. The financial statements of the Organization as of and for the year ended June 30, 2007, were audited by other auditors whose report dated October 10, 2007, expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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, 2008, and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Tomkiewicz Wright, LLC*

August 26, 2008

HOME PARK LEARNING CENTER, INC.  
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 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2008 AND 2007

<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 146	\$ 144
Unconditional promises to give	685	-0-
Prepaid insurance	7,072	7,645
Property and equipment, net of depreciation	1,325,283	1,389,398
Contributions receivable	<u>111,167</u>	<u>116,000</u>
TOTAL ASSETS	\$ <u>1,444,353</u>	\$ <u>1,513,187</u>
<u>LIABILITIES AND NET ASSETS</u>		
Accounts payable	\$ <u>685</u>	\$ <u>2,375</u>
Unrestricted net assets	1,332,501	1,394,812
Temporarily restricted net assets	<u>111,167</u>	<u>116,000</u>
	<u>1,443,668</u>	<u>1,510,812</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,444,353</u>	\$ <u>1,513,187</u>

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.  
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STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues and support:		
Unrestricted contributions	\$ 93,052	\$ 74,569
Management services revenue	72,614	47,492
Net assets released from restriction	<u>4,833</u>	<u>4,833</u>
Total unrestricted revenues and support	<u>170,499</u>	<u>126,894</u>
Expenses:		
Program services	138,150	154,652
Management and general	<u>94,660</u>	<u>53,266</u>
Total expenses	<u>232,810</u>	<u>207,918</u>
Decrease in unrestricted net assets	(62,311)	(81,024)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues and support:		
Net assets released from restriction	<u>(4,833)</u>	<u>(4,833)</u>
Decrease in net assets	(67,144)	(85,857)
Net assets, beginning of year	<u>1,510,812</u>	<u>1,596,669</u>
Net assets, end of year	<u>\$ 1,443,668</u>	<u>\$ 1,510,812</u>

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

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 STATEMENTS OF CASH FLOWS  
 YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Decrease in net assets	\$ (67,144)	\$ (85,857)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	64,115	71,404
Changes in operating assets and liabilities:		
Unconditional promises to give	(685)	-0-
Prepaid insurance	573	16
Prepaid expense – other	-0-	7,230
Contributions receivable	4,833	4,833
Accounts payable	<u>(1,690)</u>	<u>2,375</u>
Net cash provided by operating activities	<u>2</u>	<u>1</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>144</u>	<u>143</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 146</u>	<u>\$ 144</u>

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2008 AND 2007

	Program Services	Management and General	Year Ended June 30, 2008	Total Year Ended June 30, 2007
Salaries	\$ -0-	\$ 57,448	\$ 57,448	\$ 38,269
Fringe benefits	-0-	15,166	15,166	9,223
Total compensation and benefits	-0-	72,614	72,614	47,492
Repairs and maintenance	4,916	-0-	4,916	1,685
Management contract fees	52,683	-0-	52,683	48,672
Professional fees	-0-	3,963	3,963	4,000
Insurance	-0-	13,845	13,845	14,433
Depreciation	64,115	-0-	64,115	71,404
Supplies	11,603	4,208	15,811	15,369
Licenses and fees	-0-	30	30	30
Rent	4,833	-0-	4,833	4,833
Total expenses	\$ 138,150	\$ 94,660	\$ 232,810	\$ 207,918

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

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NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2008 AND 2007

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.

Reclassifications

Certain reclassifications to the accompanying 2007 financial statements have been made in order to conform to the 2008 financial statement presentation.

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 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 \$52,682 and \$48,672 for the years ended June 30, 2008 and 2007.

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. Unconditional Promises to Give:

Unconditional promises to give consists of balances reimbursable by GTF under the memorandum of agreement described in Note 2, but unpaid at June 30, 2008, in connection with management contract fees charged to the Organization by Bright Horizons for services provided during the year ended June 30, 2008.

6. Contributions receivable:

At June 30, 2008 and 2007, contributions receivable consist of the excess of the value of a land lease entered with the City of Atlanta over actual payments made, as further described in Note 8.



7. Property and Equipment:

Property and equipment at June 30 consists of the following:

	<u>2008</u>	<u>2007</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	<u>379,484</u>	<u>315,369</u>
	<u>\$ 1,325,283</u>	<u>\$ 1,389,398</u>

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 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, 2008 and 2007, contributions of \$111,167 and \$116,000 remained under temporary restriction in connection with the 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 \$72,614 and \$47,492 for the years ended June 30, 2008 and 2007, 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, 2008 and 2007, GIT also provided repair and maintenance services for the Organization's physical facility of \$4,916 and \$1,685; and supplies, telecommunications, and other administrative resources for the Organization's programs in the amount of \$15,811 and \$15,369. These balances are included in unrestricted revenues and program services expense in the accompanying statements of activities.