HOME PARK LEARNING CENTER, INC.

FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2020 AND 2019

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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 financial statements of Home Park Learning Center, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

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Emphasis of a Matter

As discussed in Note 12 to the financial statements, in January 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Tomkiewicz Wright, LLC

Atlanta, Georgia
December 4, 2020

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash	$ 476,389	$ 426,418
Receivables - other	-0-	20,584
Prepaid insurance	8,566	8,046
Prepaid expense – other	168	26,137
Property and equipment, net of depreciation and amortization	761,191	774,156
Contribution receivable, time-restricted	53,167	58,000
TOTAL ASSETS	$ 1,299,481	$ 1,313,341
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 63,199	$ 27,650
NET ASSETS:		
Without donor restrictions:		
Undesignated	231,924	263,535
Board designated reserve for repairs and replacement	190,000	190,000
Invested in property and equipment	761,191	774,156
	1,183,115	1,227,691
With donor restrictions:		
Time-restricted for future periods	53,167	58,000
	1,236,282	1,285,691
TOTAL LIABILITIES AND NET ASSETS	$ 1,299,481	$ 1,313,341

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues and support:		
Contributions	$ 200,898	$ 242,704
Contributed management services	11,984	13,701
Interest income	901	866
Net assets released from restriction	4,833	4,833
Total revenues and support without donor restrictions	218,616	262,104
Expenses:		
Program services	244,336	160,987
Management and general	18,856	20,219
Total expenses	263,192	181,206
Change in net assets without donor restrictions	(44,576)	80,898
NET ASSETS WITH DONOR RESTRICTIONS:		
Revenues and support:		
Net assets released from time restriction	(4,833)	(4,833)
Change in net assets with donor restrictions	(4,833)	(4,833)
CHANGE IN NET ASSETS ATTRIBUTABLE TO OPERATIONS	(49,409)	76,065
NET ASSETS, beginning of year	1,285,691	1,209,626
NET ASSETS, end of year	$ 1,236,282	$ 1,285,691

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (49,409)	$ 76,065
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	60,703	56,114
Contribution of property and equipment	(47,738)	(44,088)
Changes in operating assets and liabilities:		
Receivables - other	20,584	(20,584)
Prepaid insurance	(520)	(13)
Prepaid expense – other	25,969	(13,987)
Contribution receivable, time-restricted	4,833	4,833
Accounts payable	35,549	13,901
Net cash provided by operating activities	49,971	72,241
CASH, beginning of year	426,418	354,177
CASH, end of year	$ 476,389	$ 426,418

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Total
Salaries	$ -0-	$ 9,086	$ 9,086
Fringe benefits	-0-	2,898	2,898
Total compensation and benefits	-0-	11,984	11,984
Repairs and maintenance	22,655	-0-	22,655
Management contract fees	115,005	-0-	115,005
Professional fees	-0-	5,200	5,200
Insurance	10,346	1,494	11,840
Depreciation and amortization	60,703	-0-	60,703
Supplies	26,130	-0-	26,130
Telecommunications	4,664	-0-	4,664
Licenses and fees	-0-	178	178
Rent	4,833	-0-	4,833
Total expenses	$ 244,336	$ 18,856	$ 263,192

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Total
Salaries	$ -0-	$ 10,387	$ 10,387
Fringe benefits	-0-	3,314	3,314
Total compensation and benefits	-0-	13,701	13,701
Repairs and maintenance	18,746	-0-	18,746
Management contract fees	62,589	-0-	62,589
Professional fees	-0-	5,000	5,000
Insurance	9,932	1,488	11,420
Depreciation and amortization	56,114	-0-	56,114
Supplies	4,915	-0-	4,915
Telecommunications	3,858	-0-	3,858
Licenses and fees	-0-	30	30
Rent	4,833	-0-	4,833
Total expenses	$ 160,987	$ 20,219	$ 181,206

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*.

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. Real property and leasehold improvements are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Depreciation and amortization are provided on the straight-line method over the estimated useful lives of the related assets, which range from ten to thirty years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the Statements of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions – The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions.

Revenue Recognition

Contributions are recognized when cash, other assets, or an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until the conditions on which they depend have been substantially met.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the Statements of Activities. The Statements of Functional Expenses present the natural classification detail of expenses by function. 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.

ASC 740, *Income Taxes,* 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. Under ASC 740, the Organization assesses the likelihood, based on their technical merit, that such tax positions taken in its informational tax return will be sustained by taxing authorities 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.

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, 2020. 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 December 4, 2020, which is the date the financial statements are available for issue.

Recent Accounting Guidance

In May 2014, the FASB issued Accounting Standards Update ("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. The effective date of ASU 2014-09 was amended by ASU 2020-05 to annual reporting periods beginning after December 15, 2019, and therefore for the Organization's year ending June 30, 2021. Management is currently evaluating the impact of ASUs 2014-09 and 2018-08 on the Organization.

2. Liquidity and Availability:

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year at June 30, 2020, are as follows:

Cash	$ 286,389

Amounts not available include a board-designated reserve for repairs and replacement of property and equipment. Were the need to arise for the Organization to utilize the board-designated funds for liquidity purposes, the reserve could be drawn upon through board resolution.

3. Memorandum of Understanding:

A Memorandum of Understanding ("MOU") between the Organization and GIT, most recently renewed on July 1, 2020, allows GIT to provide 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.

4. 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. During the years ended June 30, 2020 and 2019, the Organization incurred net management contract fees of $115,005 and $62,589, which were partially paid on its behalf by GIT as described in Note 10.

5. Concentrations:

The financial instrument which potentially subjects the Organization to concentrations of credit risk is cash. The Organization has cash deposits with a financial institution in excess of the $250,000 limit insured by the Federal Deposit Insurance Corporation. At June 30, 2020, uninsured cash totals $226,389.

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.

6. Prepaid Expenses – Other:

At June 30, 2019, prepaid expenses – other consists of credit balances due from Bright Horizons under the management contract described in Note 4.

7. Contribution Receivable – Time-Restricted:

The time-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 9.

8. Property and Equipment:

Property and equipment at June 30 consists of the following:

	2020	2019
Leasehold improvements	$ 1,617,295	$ 1,617,295
Furniture and equipment	91,826	44,088
	1,709,121	1,661,383
Accumulated depreciation and amortization	947,930	887,227
	$ 761,191	$ 774,156

Depreciation and amortization expense for each of the years ended June 30, 2020 and 2019 is $60,703 and $56,114.

9. 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 time-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 partially released each year on a straight-line basis over the thirty-year life of the lease. At June 30, 2020 and 2019, contributions of $53,167 and $58,000 remain restricted in connection with the lease.

10. Contributions:

Under the MOU (see Note 3), the Organization provides child-care services beneficial to GIT. In accordance with this agreement, during the years ended June 30, 2020 and 2019, GIT paid $21,849 and $62,589 of the Organization's management contract fee expenses described in Note 4.

GIT provides, or purchases on behalf of, the Organization repair and maintenance services, supplies, telecommunications, insurance, and other administrative resources. These services total $39,322 and $44,038 for the years ended June 30, 2020 and 2019. These balances are included in contributions and in program service expenses in the accompanying Statements of Activities. In addition, during the years ended June 30, 2020 and 2019, GIT purchased fixed asset additions in the amount of $47,738 and $44,088 on behalf of the Organization.

The Organization receives administrative and other services provided by employees of GIT. The value of these services is estimated at $11,984 and $13,701 for the years ended June 30, 2020 and 2019, based on the estimated amount of time spent rendering services to the Organization at the employees' compensation rates. These amounts are included in contributed management services and in management and general expense in the accompanying Statements of Activities.

During each of the years ended June 30, 2020 and 2019, the Organization received contributions without donor restrictions of $91,989 from GTF.

11. Functionalized Expenses:

The financial statements report certain categories of expenses that are attributed between program service expense and management and general expense. Such expenses require allocation on a reasonable basis that is consistently applied. Insurance is allocated based on the purpose of the underlying expense.

12. Other Risks and Uncertainties:

in January 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." There have been mandates from international, federal, state and local authorities requiring forced closures of various schools, businesses and other facilities and organizations. Some of these governmental restrictions have since been lifted or scaled back, but resurgences of COVID-19 infections have resulted in the re-imposition of certain restrictions. Such actions, as well as supply chain disruption and related financial impacts, cannot be accurately predicted or estimated at this time. Should the closures continue for an extended period of time or should the effects of COVID-19 continue to spread, the impact could have a material adverse effect on the Organization's financial position, results of operations and cash flows.

Enrollment levels at the child care center operated by Bright Horizons have decreased as COVID-19 has affected on-campus operations of GIT. This has increased the amount of monthly management fee shortfalls payable by the Organization as described in Note 4. Organization management currently believes that GIT will continue to support the Organization's operations through contributions to the Organization or through direct payment to Bright Horizons of these management fees. As discussed in Note 5, the Organization relies on such support in all environments to maintain its operations.