HOME PARK LEARNING CENTER, INC.

FINANCIAL STATEMENTS
(with report of independent auditors)

YEARS ENDED JUNE 30, 2022 AND 2021

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CONTENTS

Tomkiewicz Wright, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Home Park Learning Center, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Home Park Learning Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Home Park Learning Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

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resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Home Park Learning Center, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Home Park Learning Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, in March 2020, the World Health Organization declared COVID-19 to constitute a global pandemic. 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 16, 2022

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash	$ 517,570	$ 409,141
Prepaid insurance	8,579	8,566
Prepaid expense – other	75,136	168
Property and equipment, net of depreciation and amortization	678,984	747,250
Contribution receivable, time-restricted	43,500	48,333
TOTAL ASSETS	$ 1,323,769	$ 1,213,458
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 75,590	$ 29,808
NET ASSETS:		
Without donor restrictions:		
Undesignated	335,695	198,067
Board designated reserve for repairs and replacement	190,000	190,000
Invested in property and equipment	678,984	747,250
	1,204,679	1,135,317
With donor restrictions:		
Time-restricted for future periods	43,500	48,333
	1,248,179	1,183,650
TOTAL LIABILITIES AND NET ASSETS	$ 1,323,769	$ 1,213,458

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS:		
Revenues and support:		
Contributions	$ 303,244	$ 403,416
Contributed management services	15,693	13,999
Interest income	808	906
Net assets released from restriction	4,833	4,834
Total revenues and support without donor restrictions	324,578	423,155
Expenses:		
Program services	228,886	426,481
Management and general	26,330	44,472
Total expenses	255,216	470,953
Change in net assets without donor restrictions	69,362	(47,798)
NET ASSETS WITH DONOR RESTRICTIONS:		
Revenues and support:		
Net assets released from time restriction	(4,833)	(4,834)
Change in net assets with donor restrictions	(4,833)	(4,834)
CHANGE IN NET ASSETS ATTRIBUTABLE TO OPERATIONS	64,529	(52,632)
NET ASSETS, beginning of year	1,183,650	1,236,282
NET ASSETS, end of year	$ 1,248,179	$ 1,183,650

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 64,529	$ (52,632)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	68,266	65,679
Contribution of property and equipment	-0-	(51,738)
Changes in operating assets and liabilities:		
Prepaid insurance	(13)	-0-
Prepaid expense – other	(74,968)	-0-
Contribution receivable, time-restricted	4,833	4,834
Accounts payable	45,782	(33,391)
Net cash provided by (used in) operating activities	108,429	(67,248)
CASH, beginning of year	409,141	476,389
CASH, end of year	$ 517,570	$ 409,141

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Total
Salaries	$ -0-	$ 11,835	$ 11,835
Fringe benefits	-0-	3,858	3,858
Total compensation and benefits	-0-	15,693	15,693
Repairs and maintenance	2,279	-0-	2,279
Noncapitalized equipment costs	1,917	-0-	1,917
Management contract fees	137,178	-0-	137,178
Professional fees	-0-	5,529	5,529
Insurance	11,155	1,512	12,667
Depreciation and amortization	68,266	-0-	68,266
Supplies	300	-0-	300
Telecommunications	2,958	-0-	2,958
Licenses and fees	-0-	337	337
Rent	4,833	-0-	4,833
Unallocated payments to affiliated organization	-0-	3,259	3,259
Total expenses	$ 228,886	$ 26,330	$ 255,216

See notes to financial statements.

HOME PARK LEARNING CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Total
Salaries	$ -0-	$ 10,582	$ 10,582
Fringe benefits	-0-	3,417	3,417
Total compensation and benefits	-0-	13,999	13,999
Repairs and maintenance	3,331	-0-	3,331
Management contract fees	336,894	-0-	336,894
Professional fees	-0-	5,376	5,376
Insurance	11,148	1,512	12,660
Depreciation and amortization	65,679	-0-	65,679
Supplies	445	-0-	445
Telecommunications	4,150	-0-	4,150
Licenses and fees	-0-	337	337
Rent	4,834	-0-	4,834
Unallocated payments to affiliated organization	-0-	23,248	23,248
Total expenses	$ 426,481	$ 44,472	$ 470,953

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, 2022. 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 16, 2022, which is the date the financial statements are available for issue.

2. Liquidity and Availability:

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year at June 30, 2022, are as follows:

Cash	$ 327,570

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, 2022 and 2021, the Organization incurred net management contract fees of $137,178 and $336,894, which were partially paid on its behalf by GIT as described in Note 9.

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, 2022, uninsured cash totals $267,570.

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. 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 8.

7. Property and Equipment:

Property and equipment at June 30 consists of the following:

	2022	2021
Leasehold improvements	$ 1,617,295	$ 1,617,295
Furniture and equipment	143,564	143,564
	1,760,859	1,760,859
Accumulated depreciation and amortization	1,081,875	1,013,609
	$ 678,984	$ 747,250

Depreciation and amortization expense for each of the years ended June 30, 2022 and 2021 is $68,266 and $65,679.

8. Operating Lease Commitment and Land Lease Contribution:

The Organization leases land from the City of Atlanta (the "City") 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 most recent lease renewal expired in March 2022. The Organization has proposed a new lease renewal to the City which would extend through October 2027. While the City has not executed the proposed lease renewal as of December 16, 2022, the date the financial statements are available for issue, Organization management has received no indication that the City intends to terminate the lease prior to its maximum thirty-year renewal period and believes that the proposed lease extension will ultimately be granted.

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, 2022 and 2021, contributions of $43,500 and $48,333 remain restricted in connection with the lease.

9. 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, 2022 and 2021, GIT paid $137,178 and $182,166 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 $24,077 and $27,523 for the years ended June 30, 2022 and 2021. These balances are included in contributions and in program service expenses in the accompanying Statements of Activities. In addition, during the year ended June 30, 2021, GIT purchased fixed asset additions in the amount of $51,738 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 $15,693 and $13,999 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, the Organization received contributions without donor restrictions of $141,989 from GTF.

10. Unallocated Payments to Affiliated Organization:

During the years ended June 30, 2022 and 2021, the Organization returned contributions of $3,259 and $23,248 to GIT. These payments are recorded in the Statements of Functional Expenses as unallocated payments to affiliated organization.

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 March 2020, the World Health Organization declared COVID-19 to constitute a global pandemic. There have been mandates from international, federal, state and local authorities requiring forced closures of various schools, businesses and other facilities and organizations. Governmental restrictions have since been lifted or scaled back, but resurgences of COVID-19 could result in re-imposition of such restrictions. Such future restrictions, as well as supply chain disruptions and related financial impacts, cannot be accurately predicted or estimated at this time.

Enrollment levels at the child care center operated by Bright Horizons have declined at those times when COVID-19 considerations restricted on-campus operations of GIT. This 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.