

HOLLY STREET CORPORATION

Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

Terry A. Hill
Ernest R. Harper

**The Board of Directors
Holly Street Corporation**

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We have audited the accompanying statements of financial position of Holly Street Corporation as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, and cash flows 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. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements and, in our report dated September 21, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan 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 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 Holly Street Corporation as of December 31, 2009 and 2008, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hill, Harper & Associates

September 26, 2010

HOLLY STREET CORPORATION

Statements of Financial Position

December 31, 2009 and 2008

<u>Assets</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 12,208	9,231
Accounts receivable:		
Accounts receivable	69,732	49,427
Grants receivable	7,995	7,443
Employee receivables	2,760	3,475
Gift certificates	370	640
Total accounts receivable	80,857	60,985
Total current assets	93,065	70,216
Property and equipment:		
Land	77,115	77,115
Buildings and improvements	574,859	573,810
Furniture and fixtures	77,975	74,193
Automobiles	56,950	66,950
	786,899	792,068
Less accumulated depreciation	(283,410)	(263,384)
Net property and equipment	503,489	528,684
Total assets	\$ 596,554	598,900
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 8,038	12,298
Accrued payroll and benefits	17,557	8,160
Current portion of long term debt	19,510	18,279
Total current liabilities	45,105	38,737
Long term debt, net of current portion	293,195	312,724
Total liabilities	338,300	351,461
Net assets:		
Unrestricted net assets	258,254	247,439
Temporarily restricted net assets	-	-
Total net assets	258,254	247,439
Total liabilities and net assets	\$ 596,554	598,900

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2009 and 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2009</u>	<u>Total 2008</u>
Public support and revenue:				
Program service revenue	\$ 860,131	-	860,131	799,923
Governmental grant revenue	89,436	-	89,436	90,460
Private grants	1,053	-	1,053	1,192
United Way contributions	3,790	-	3,790	19,891
Interest	7	-	7	8
Special events	39,934	-	39,934	35,820
Contributions	1,945	-	1,945	170
Total support and revenue	<u>996,296</u>	<u>-</u>	<u>996,296</u>	<u>947,464</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>996,296</u>	<u>-</u>	<u>996,296</u>	<u>947,464</u>
Expenses:				
Program services:				
Salaries and benefits	609,032	-	609,032	593,198
Payroll service fees	2,219	-	2,219	3,392
Teacher training	4,589	-	4,589	5,880
Lessons and field trips	16,379	-	16,379	17,047
Food service	47,996	-	47,996	49,109
Accounting fees	7,380	-	7,380	7,375
Vehicle expense	9,143	-	9,143	6,096
Depreciation	30,025	-	30,025	29,808
Amortization	-	-	0	110
Equipment rent	3,279	-	3,279	2,880
Occupancy	38,868	-	38,868	42,704
Security	1,167	-	1,167	641
Repairs and maintenance	10,111	-	10,111	17,791
Contract labor	2,325	-	2,325	2,558
Insurance	30,904	-	30,904	27,398
Bad debts	4,385	-	4,385	1,850
Supplies	11,197	-	11,197	12,301
Curriculum supplies	3,236	-	3,236	2,540
Telephone	3,735	-	3,735	5,013
Interest	20,786	-	20,786	20,709
Miscellaneous	10,490	-	10,490	7,232
Total program services	<u>867,246</u>	<u>-</u>	<u>867,246</u>	<u>855,632</u>
Supporting services:				
General and administrative:				
Salaries and benefits	107,388	-	107,388	99,532
Fund raising	10,847	-	10,847	13,722
Total supporting services	<u>118,235</u>	<u>-</u>	<u>118,235</u>	<u>113,254</u>
Total expenses	<u>985,481</u>	<u>-</u>	<u>985,481</u>	<u>968,886</u>
Increase (decrease) in net assets	<u>10,815</u>	<u>-</u>	<u>10,815</u>	<u>(21,422)</u>
Net assets at beginning of year	<u>247,439</u>	<u>-</u>	<u>247,439</u>	<u>268,861</u>
Net assets at end of year	<u>\$ 258,254</u>	<u>-</u>	<u>258,254</u>	<u>247,439</u>

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statements of Cash Flows

For the years ended December 31, 2009 and 2008

<u>Cash Flows from Operating Activities</u>	<u>2009</u>	<u>2008</u>
Cash received from:		
Clients and public support	\$ 895,945	832,691
Federal, state, and local governments	88,884	91,610
Interest income	7	8
Cash paid for:		
Employees and vendors	(937,945)	(919,043)
Interest	(20,786)	(20,709)
Net operating activities	<u>26,105</u>	<u>(15,443)</u>
 <u>Cash Flows from Investing Activities</u>		
Purchase of capital assets	(4,830)	(632)
Net investing activities	<u>(4,830)</u>	<u>(632)</u>
 <u>Cash Flows from Financing Activities</u>		
Proceeds from long term debt	-	325,000
Repayments of long term debt	(18,298)	(329,803)
Net financing activities	<u>(18,298)</u>	<u>(4,803)</u>
 Net increase (decrease) in cash and cash equivalents	2,977	(20,878)
Cash and cash equivalents at beginning of year	9,231	30,109
Cash and cash equivalents at end of year	\$ <u>12,208</u>	<u>9,231</u>
 <u>Reconciliation of increase (decrease) in net assets to cash flows from operating activities</u>		
Increase (decrease) in net assets	\$ 10,815	(21,422)
Depreciation and amortization	30,025	29,918
(Increase) decrease in operating assets:		
Accounts receivable	(20,305)	(4,219)
Grants receivable	(552)	1,150
Employee receivable	715	(68)
Gift certificates	270	(55)
Increase (decrease) in operating liabilities:		
Accounts payable	(4,260)	(661)
Accrued payroll and benefits	9,397	(20,086)
Net operating activities	<u>\$ 26,105</u>	<u>(15,443)</u>

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Notes to Financial Statements

December 31, 2009 and 2008

General

Holly Street Corporation, operating as Holly Street Day Care (the Day Care), is a private non-profit corporation of the State of Tennessee. The Day Care was founded in 1983 and was incorporated in 1990 for the purpose of providing day care services for children in an underprivileged community, which makes it possible for the parents to be gainfully employed. The Day Care is supported primarily through program service fees. In addition, the Day Care receives a portion of its revenues from government agencies.

(1) Summary of Significant Accounting Policies

Basis of Presentation

The Day Care adheres to the provisions of Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Day Care 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, if any. In addition, the Day Care is required to present a statement of cash flows.

The Day Care also adheres to SFAS No. 116, "Accounting for Contributions Received and Contributions Made". In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and / or nature of any donor restrictions.

Expiration of Donor - Imposed Restrictions

The expiration of a donor - imposed restriction on a contribution is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Accrual Basis

The financial statements of the Day Care have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the designated programs.

Fair Value of Financial Instruments

The carrying value of cash, accounts receivable, accounts payable, and accrued expenses approximate fair value because of the short maturity of these instruments. Long term debt approximates fair value due to the rate of interest approximating current rates charged for loans with similar maturities.

HOLLY STREET CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment

Expenditures for land, building and equipment are recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight - line method. The estimated useful lives of fixed assets in service are as follows:

Furniture and fixtures	5 years
Automobiles	5 years
Building	39 years

Expenditures for maintenance and repairs are charged to operations as incurred. Expenditures for furniture and equipment in excess of \$500 are capitalized. The estimated fair market value of donated fixed assets are similarly capitalized when received.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Day Care considers all cash funds, cash bank accounts and highly liquid debt instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

Contributed Services

Contributed services, if applicable, are reflected in the financial statements at the fair value of the services received. The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. No contributed services are reflected in these financial statements.

Compensated Absences

Employees of the Day Care are entitled to paid vacation, paid sick days and personal days off, depending on job classification, length of service, and other factors. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Day Care's policy is to recognize the cost of compensated absences when actually paid to employees.

Income Taxes

The Day Care is exempt from Federal and State income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes have been made.

In July 2006, the Financial Standards Board (FASB) issued interpretation no 48. "Accounting for Uncertainty in Income Taxes" (Fin 48). Fin 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprises's financial statements in accordance with Statement No. 109, "Accounting for Income Taxes". Fin 48 prescribes a recognized threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in the tax return. Management believes that the Organization is not involved in any activities that could be deemed taxable.

Financial Statement Presentation

Certain reclassifications may have been made to the prior year figures in order to conform to current year presentation. These reclassifications, if any, have no effect on reported net assets.

HOLLY STREET CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Bad Debts

The Day Care considers accounts receivable to be fully collectable; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2008, from which the summarized information was derived.

(2) Concentration of Credit Risk

The Day Care serves children in Nashville, Tennessee metropolitan area. Services for day care provided for children are billed on an unsecured basis. The Day Care has an accounting risk of loss to the extent of unsecured accounts receivable in the amount of \$69,732.

(3) Long Term Debt 2009 2008

Long term debt consists of the following:

Note payable to a financial institution due in monthly installments of \$438, principal and interest, at 7.1% through February 2012. This note is secured by a bus.	\$ 10,115	14,467
Note payable to a financial institution due in monthly installments of \$2,803 principal and interest, at 6.25% through May 2023. This note is secured by a deed of trust on the land and building.	<u>302,590</u>	<u>316,536</u>
	312,705	331,003
Less current portion	<u>19,510</u>	<u>18,279</u>
	<u>\$ 293,195</u>	<u>312,724</u>

Maturities of long term debt are as follows: \$19,510 in 2010; \$20,825 in 2011; \$17,210 in 2012; \$17,919 in 2013; \$19,089 in 2014 and \$218,152 thereafter.

	Monday	Tuesday	Wednesday	Thursday
Bonnie P.	6:30-4:30	6:30-4:30	6:30-4:30	Off
Jean	Off	9-2	9-2	8:30-3
Thalia	Off	8-5	8-5	8-3
Vonne	Off	Off	Off	Off
Alex	Off	7:15-5:15	7:15-5:15	6:30-3
Kaneshia	Off	Off	Off	Off
Laura	7:30-5:30	7:45-5:45	Off	7:30-3
B Hoo	Off	Off	Off	Off
Angel	Off	Off	Off	Off
Micheal	Off	Off	Off	Off
Terence	8:30-6:30	8:30-6:30	8:30-6:30	Off
Tina	Off	8-6	8-6	7:30-3
Morgan	Off	9-6	9-6	8-3
Jamie	9-6:30	9-6:30	9-6:30	9-3
Jasmine	8-6	8-6	8-6	Off
Wen	8-5	9-6	9-6	8:30-3
Marissa	Off	7:30-5:30	7:30-5:30	7:15-3
Susan	Off	7:30-5:30	7:30-5:30	7:30-3
Emily	7:30-5:30	Off	7:45-5:45	7:45-3
Ali	Off	9-6	9-6	9-3
Cayce	7-5	7-5	7-5	Off
Jesse	8:30-6:30	8:30-6:30	8:30-6:30	Off

Dec 27 - 31