

HOLLY STREET CORPORATION

Financial Statements

December 31, 2022

(With Independent Auditors' Report Thereon)

HOLLY STREET CORPORATION

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Hill, Harper & Associates
A Professional Limited Liability Company
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Holly Street Corporation

Opinion

We have audited the accompanying financial statements of Holly Street Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities and cash flows for the year 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 Holly Street Corporation as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Holly Street Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Holly Street Corporation'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 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 Holly Street Corporation'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 Holly Street Corporation'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.

Hill, Hoyer & Associates

A Professional Limited Liability Company

Franklin, Tennessee

July 24, 2023

HOLLY STREET CORPORATION

Statement of Financial Position

December 31, 2022

Assets

Current assets:

Cash and cash equivalents	\$ 873,179
Accounts receivable:	
Trade	6,428
Employee receivables	2,821
Total accounts receivable	<u>9,249</u>
Prepaid expenses	<u>1,229</u>
	<u>883,657</u>

Property and equipment:

Land	77,115
Buildings and improvements	1,122,697
Furniture and fixtures	105,819
Automobiles	46,150
	<u>1,351,781</u>
Less accumulated depreciation	<u>(582,621)</u>
Net property and equipment	<u>769,160</u>
Total assets	<u><u>\$ 1,652,817</u></u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 4,351
Accrued payroll and benefits	15,655
Line of credit	79,961
Current portion of long term debt	23,713
Total current liabilities	<u>123,680</u>

Long term debt, net of current portion

Total liabilities	<u>-</u>
	<u>123,680</u>

Net assets:

Without donor restrictions	1,211,137
With donor restrictions	318,000
Total net assets	<u>1,529,137</u>
Total liabilities and net assets	<u><u>\$ 1,652,817</u></u>

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
Public support and revenue:			
Program service revenue	\$ 993,655	-	993,655
Grants	505,137	-	505,137
United Way contributions	1,943	-	1,943
Interest	318	-	318
Special events	9,034	-	9,034
Contributions	22,050	-	22,050
Miscellaneous	2,010	-	2,010
Total support and revenue	1,534,147	-	1,534,147
Expenses:			
Program services	928,209	-	928,209
Management and general	245,824	-	245,824
Fund raising	1,490	-	1,490
Total expenses	1,175,523	-	1,175,523
Change in net assets	358,624	-	358,624
Net assets at beginning of year	852,513	318,000	1,170,513
Net assets at end of year	\$ 1,211,137	318,000	1,529,137

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statement of Functional Expenses

For the year ended December 31, 2022

	Program Services	Management and General	Fund Raising	Total
Salaries and benefits	\$ 700,829	236,674	-	937,503
Payroll service fees	3,424	-	-	3,424
Teacher training	3,918	-	-	3,918
Lessons and field trips	16,865	-	-	16,865
Food service	16,355	-	-	16,355
Professional fees	-	9,150	-	9,150
Vehicle expense	8,291	-	-	8,291
Credit card fees	3,564	-	-	3,564
Depreciation	26,828	-	-	26,828
Equipment rent	3,189	-	-	3,189
Occupancy	62,262	-	-	62,262
Disposal service	2,868	-	-	2,868
Security	658	-	-	658
Repairs and maintenance	1,084	-	-	1,084
Insurance	37,439	-	-	37,439
Supplies	16,686	-	-	16,686
Interest	7,358	-	-	7,358
Landscaping	6,615	-	-	6,615
Fund raising	-	-	1,490	1,490
COVID supplies	2,600	-	-	2,600
Gifts and entertainment	4,385	-	-	4,385
Miscellaneous	2,991	-	-	2,991
Total expenses	<u>\$ 928,209</u>	<u>245,824</u>	<u>1,490</u>	<u>1,175,523</u>

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statement of Cash Flows

For the year ended December 31, 2022

Cash Flows from Operating Activities

Change in net assets	\$ 358,624
Adjustments to reconcile change in net assets to cash provided by operating activities	
Depreciation	26,828
(Increase) decrease in operating assets:	
Accounts receivable	(6,269)
Employee receivable	(1,007)
Prepaid expenses	1,673
Increase (decrease) in operating liabilities:	
Accounts payable	(21,316)
Accrued payroll and benefits	5,548
Net operating activities	<u>364,081</u>

Cash Flows from Investing Activities

Purchase of capital assets	<u>(154,675)</u>
Net investing activities	<u>(154,675)</u>

Cash Flows from Financing Activities

Repayments of long term debt	<u>(30,971)</u>
Net financing activities	<u>(30,971)</u>
Net decrease in cash and cash equivalents	178,435
Cash and cash equivalents at beginning of year	<u>694,744</u>
Cash and cash equivalents at end of year	\$ <u><u>873,179</u></u>

Supplemental Information:

Interest paid and expensed to operations	\$ <u><u>7,358</u></u>
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See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Notes to Financial Statements

December 31, 2022

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.

(1) Summary of Significant Accounting Policies

Basis of Presentation

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

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America.

As required by generally accepted accounting principles, the Day Care reports information regarding the financial position and activities according to two classes of net assets, as applicable:

Net assets without donor restrictions - Net assets not subject to donor imposed restrictions. These funds may be designated for specific purposes by action of the governing body.

Net assets with donor restrictions - Net assets that are subject to donor imposed stipulations and/or the passage of time. The organization has no amounts to report in this category.

The amount of net assets are presented in the statements of financial position and the change in net assets is presented in the statement of activities.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non operating activities. Operating activities consist of those items attributable to ongoing activities, including investment income. Non operating activities are limited to resources that generate return from investment, if any, and other activities of a more unusual or non recurring nature.

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.

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

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.

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 Statement 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.

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 are charged to operations when that determination is made.

Income Taxes

The Day Care is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes have been made. Further, management believes that the Day Care has no activities which will lead to taxes being levied.

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.

HOLLY STREET CORPORATION

Notes to Financial Statements, Continued

Leases

During the year ending December 31, 2022, the Day Care adopted FASB ASC 842 which requires the present value of leases be capitalized with a corresponding lease obligation be recorded. This implementation had no effect on prior net asset carrying values. An election was made to exempt leases with an original or remaining term of one year or less from these calculations. The Day Care has no leases that meet the criteria for capitalization, accordingly this exempts the Day Care from this standard for the current year.

Functional Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. These expenses are presented by their natural classification in the statement of functional expenses by individual component of program and administrative expenses. Expenses are allocated as follows:

- > Salaries and benefits are allocated on the basis of time
- > Occupancy costs, including depreciation, are allocated based on square footage

Contributions, Including Grants (Revenue Recognition)

Contributions received are recorded as net assets without donor restriction or net assets with donor restriction depending on the existence and/or nature of any donor restrictions. Contributions that are not restricted by the donor are reported as an increase in net assets without donor restrictions. All donor restricted contributions are reported as an increase to net assets with donor restriction. When the restriction expires (that is, when a stipulated time restriction end or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restriction.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through July 24, 2023, the date these financial statements were available to be issued.

(2) Liquidity and Availability of Financial Assets

The following reflects the Day Care's financial assets as of balance sheet date.

Financial assets as of December 31, 2022:

Cash and cash equivalents	\$	873,179
Receivables		<u>9,249</u>
Financial assets available to meet general expenditures over next twelve months		882,428
Less amount not available to be used within one year		
Net assets with donor restrictions		<u>(318,000)</u>
Financial assets available to meet general expenditures over next twelve months	\$	<u><u>564,428</u></u>

The Day Care continually monitors cash flow and cash balances, with an end goal to maintain positive cash flows and cash balances.

HOLLY STREET CORPORATION

Notes to Financial Statements, Continued

(3) **Commitments**

The Day Care leases buildings under lease arrangements classified as operating leases. Total rent expense under this lease amounted to \$38,000 for the year ended December 31, 2022. This lease is on a month to month basis.

(4) **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. Cash funds at the Day Care's financial institution are covered by the FDIC insurance up to \$250,000

(5) **Long Term Debt**

Long term debt consists of the following:

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.

\$ 23,713

\$ 23,713

(6) **Line of Credit**

The Company has a \$100,000 line of credit bearing interest at 4.25% with a local financial institution maturing September, 2023. As of December 31, 2021 the outstanding balance amounted to \$79,961. The line of credit is secured by a deed of trust.

(6) **Net Assets**

Net assets with donor restrictions for future periods are as follows:

Community Foundation grant for playground

\$ 318,000