

HOLLY STREET CORPORATION

Financial Statements

December 31, 2020

(With Independent Auditors' Report Thereon)

HOLLY STREET CORPORATION

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

Independent Auditors' Report

The Board of Directors
Holly Street Corporation

Report on Financial Statements

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, 2020, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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. An audit also includes evaluating the appropriateness of accounting policies used that 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 Holly Street Corporation as of December 31, 2020, 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.

Hill, Harper & Associates

A Professional Limited Liability Company
Franklin, Tennessee
October 11, 2021

HOLLY STREET CORPORATION

Statement of Financial Position

December 31, 2020

Assets

Current assets:

Cash and cash equivalents	\$ 730,225
Accounts receivable:	
Employee receivables	1,805
Total accounts receivable	<u>1,805</u>
Prepaid expenses	<u>1,880</u>
Total current assets	<u>733,910</u>

Property and equipment:

Land	77,115
Buildings and improvements	796,744
Furniture and fixtures	105,819
Automobiles	<u>46,150</u>
	1,025,828
Less accumulated depreciation	<u>(535,603)</u>
Net property and equipment	<u>490,225</u>
Total assets	<u>\$ 1,224,135</u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 14,868
Prepaid tuition	13,229
Accrued payroll and benefits	37,457
Line of credit	79,961
Current portion of long term debt	<u>29,722</u>
Total current liabilities	<u>175,237</u>

Long term debt, net of current portion

Total liabilities	<u>54,085</u>
	<u>229,322</u>

Net assets:

Without donor restrictions	676,813
With donor restrictions	<u>318,000</u>
Total net assets	<u>994,813</u>
Total liabilities and net assets	<u>\$ 1,224,135</u>

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statement of Activities and Changes in Net Assets

For the year ended December 31, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Totals
Public support and revenue:			
Program service revenue	\$ 772,235	-	772,235
Community foundation grants	358,555	318,000	676,555
United Way contributions	1,036	-	1,036
Interest	77	-	77
Special events	6,931	-	6,931
Contributions	26,365	-	26,365
Miscellaneous	16,125	-	16,125
Total support and revenue	1,181,324	318,000	1,499,324
Expenses:			
Program services	840,099	-	840,099
Management and general	180,467	-	180,467
Fund raising	75	-	75
Total expenses	1,020,641	-	1,020,641
Change in net assets from operations	160,683	318,000	478,683
Non operating activities:			
PPP grant revenue	181,592	-	181,592
Change in net assets from non operating activities	181,592	-	181,592
Change in net assets	342,275	318,000	660,275
Net assets at beginning of year	334,538	-	334,538
Net assets at end of year	\$ 676,813	318,000	994,813

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statement of Functional Expenses

For the year ended December 31, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and benefits	\$ 642,810	170,617	-	813,427
Payroll service fees	3,814	-	-	3,814
Teacher training	3,037	-	-	3,037
Lessons and field trips	5,359	-	-	5,359
Food service	9,789	-	-	9,789
Professional fees	-	9,850	-	9,850
Vehicle expense	816	-	-	816
Credit card fees	1,682	-	-	1,682
Depreciation	24,051	-	-	24,051
Equipment rent	5,608	-	-	5,608
Occupancy	52,831	-	-	52,831
Disposal service	1,835	-	-	1,835
Security	2,883	-	-	2,883
Repairs and maintenance	4,504	-	-	4,504
Insurance	35,710	-	-	35,710
Supplies	12,491	-	-	12,491
Curriculum supplies	132	-	-	132
Telephone	997	-	-	997
Interest	7,739	-	-	7,739
Landscaping	6,960	-	-	6,960
Fund raising	-	-	75	75
Grant enhancement	961	-	-	961
COVID supplies	7,050	-	-	7,050
Miscellaneous	9,040	-	-	9,040
Total expenses	<u>\$ 840,099</u>	<u>180,467</u>	<u>75</u>	<u>1,020,641</u>

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statement of Cash Flows

For the year ended December 31, 2020

Cash Flows from Operating Activities

Change in net assets	\$ 660,275
Adjustments to reconcile change in net assets to cash provided by operating activities	
Depreciation	24,051
(Increase) decrease in operating assets:	
Accounts receivable	28,445
Employee receivable	1,799
Prepaid insurance	(276)
Increase (decrease) in operating liabilities:	
Accounts payable	6,127
Prepaid tuition	13,229
Accrued payroll and benefits	(442)
Net operating activities	<u><u>733,208</u></u>

Cash Flows from Investing Activities

Purchase of capital assets	<u>(68,222)</u>
Net investing activities	<u>(68,222)</u>

Cash Flows from Financing Activities

Repayments of long term debt	(18,388)
Net borrowings from line of credit agreement	<u>(29)</u>
Net financing activities	<u>(18,417)</u>

Net increase in cash and cash equivalents 646,569

Cash and cash equivalents at beginning of year	<u>83,656</u>
Cash and cash equivalents at end of year	\$ <u><u>730,225</u></u>

Supplemental Information:

Interest paid and expensed to operations	\$ <u><u>7,739</u></u>
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See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Notes to Financial Statements

December 31, 2020

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 and State 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

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 October 11, 2021, 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, 2020

Cash and cash equivalents	\$ 730,225
Employee receivables	1,805

Financial assets available to meet general expenditures over next twelve months	\$ 732,030
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The Day Care continually monitors cash flow and cash balances, with an end goal to maintain positive cash flows and cash balances.

(3) Commitments

The Day Care leases buildings under lease arrangements classified as operating leases. Total rent expense under this lease amounted to \$36,000 for the year ended December 31, 2020. 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

HOLLY STREET CORPORATION

Notes to Financial Statements, Continued

(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.	\$ 83,807
	<u>83,807</u>
Less current portion	<u>29,722</u>
	<u>\$ 54,085</u>

Maturities of long term debt are as follows: \$29,722 in 2021; \$31,663 in 2022 and \$22,422 in 2023.

(5) Line of Credit

The Company has a \$100,000 line of credit bearing interest at 6.00% with a local financial institution maturing September, 2023. As of December 31, 2020 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	\$ <u>318,000</u>
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(6) Conditional Grant Revenue Earned from Qualified Expenses - Payroll Protection Program (PPP)

Holly Street Corporation was granted a loan from First Horizon Bank on April 20, 2020 in the amount of \$181,592 pursuant to the Payroll Protection Program (PPP) under the Coronavirus Aid Relief and Economic Security Act (CARES Act) which was enacted March 27, 2020.

Under terms of the PPP, the loan will be forgiven if the loan proceeds are used for qualifying expenses as described in the CARES act. These qualifying expenses include payroll and related cost, mortgage payments, rent, utilities and interest on obligations incurred before February 15, 2020.

In accordance with FASB Accounting Standards Update 958-605-25-5F, "a transfer of assets that is a conditional contribution shall be accounting for as a refundable advance until the conditions have been substantially met" The PPP loan meets this definition and the Day Care has expended these funds as qualifying expenses and recognized the revenue as non operating activities. This loan was forgiven on May 14, 2021.