
HOLLY STREET CORPORATION

Financial Statements

December 31, 2018

(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, 2018, 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, 2018, 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
September 17, 2019

HOLLY STREET CORPORATION

Statement of Financial Position

December 31, 2018

Assets

Current assets:

Cash and cash equivalents	47,110
Accounts receivable:	
Accounts receivable	57,773
Employee receivables	4,505
Total accounts receivable	<u>62,278</u>
Prepaid expenses	2,604
Total current assets	<u>111,992</u>

Property and equipment:

Land	77,115
Buildings and improvements	720,522
Furniture and fixtures	104,879
Automobiles	46,150
	<u>948,666</u>
Less accumulated depreciation	<u>(491,102)</u>
Net property and equipment	<u>457,564</u>
Total assets	<u><u>569,556</u></u>

Liabilities and Net Assets

Current liabilities:

Accounts payable	6,601
Accrued payroll and benefits	32,789
Line of credit	59,990
Current portion of long term debt	26,190
Total current liabilities	<u>125,570</u>

Long term debt, net of current portion

Total liabilities	<u>102,196</u>
	<u>227,766</u>

Net assets:

Net assets without donor restrictions	<u>341,790</u>
Total net assets	<u>341,790</u>
Total liabilities and net assets	<u><u>569,556</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, 2018

Public support and revenue:

Program service revenue	\$ 1,057,491
Private grants	2,500
United Way contributions	1,005
Interest	36
Special events	36,271
Contributions	<u>9,087</u>

Total support and revenue	<u>1,106,390</u>
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Expenses:

Program services	951,556
Management and general	161,767
Fund raising	<u>8,424</u>

Total expenses	<u>1,121,747</u>
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Change in net assets	(15,357)
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Net assets without donor restrictions, at beginning of year	<u>357,147</u>
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Net assets without donor restrictions, at end of year	<u>\$ 341,790</u>
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See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statement of Functional Expenses

For the year ended December 31, 2018

	Program Services	Management and General	Fund Raising	Total
Salaries and benefits	\$ 713,923	151,397	-	865,320
Payroll service fees	3,735	-	-	3,735
Teacher training	4,031	-	-	4,031
Lessons and field trips	16,800	-	-	16,800
Food service	23,813	-	-	23,813
Professional fees	-	10,370	-	10,370
Vehicle expense	2,901	-	-	2,901
Credit card fees	9,882	-	-	9,882
Depreciation	23,404	-	-	23,404
Equipment rent	4,423	-	-	4,423
Occupancy	62,707	-	-	62,707
Disposal service	1,340	-	-	1,340
Security	630	-	-	630
Repairs and maintenance	5,550	-	-	5,550
Insurance	26,986	-	-	26,986
Supplies	21,304	-	-	21,304
Curriculum supplies	1,508	-	-	1,508
Telephone	1,188	-	-	1,188
Interest	12,052	-	-	12,052
Landscaping	8,710	-	-	8,710
Fund raising	-	-	8,424	8,424
Miscellaneous	6,669	-	-	6,669
Total expenses	<u>\$ 951,556</u>	<u>161,767</u>	<u>8,424</u>	<u>1,121,747</u>

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statement of Cash Flows

For the year ended December 31, 2018

Cash Flows from Operating Activities

Change in net assets	\$ (15,357)
Adjustments to reconcile change in net assets to cash provided by operating activities	
Depreciation	23,404
(Increase) decrease in operating assets:	
Accounts receivable	(4,622)
Employee receivable	361
Prepaid insurance	(226)
Increase (decrease) in operating liabilities:	
Accounts payable	(102)
Accrued payroll and benefits	849
Net operating activities	<u>4,307</u>

Cash Flows from Investing Activities

Purchase of capital assets	<u>(7,277)</u>
Net investing activities	<u>(7,277)</u>

Cash Flows from Financing Activities

Repayments of long term debt	(24,590)
Net borrowings from line of credit agreement	<u>20,000</u>
Net financing activities	<u>(4,590)</u>
Net decrease in cash and cash equivalents	(7,560)
Cash and cash equivalents at beginning of year	<u>54,670</u>
Cash and cash equivalents at end of year	\$ <u>47,110</u>

Supplemental Information:

Interest paid and expensed to operations	\$ <u>12,052</u>
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See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Notes to Financial Statements

December 31, 2018

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

New Accounting Pronouncement

FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities, on August 18, 2016. This pronouncement had an effective date for years beginning after December 15, 2017, accordingly the effects of this pronouncement are included in these financial statements for December 31, 2018. The update primarily addresses the following:

The understanding and complexities of net asset classification

Unrestricted net assets have been renamed "net assets without donor restrictions"
Temporary restricted and permanently restricted net asset have been combined and renamed "net assets with donor restrictions", if any.

Deficiencies in information about liquidity and availability of resources

This information is presented in the following Note 2

Lack of consistency in the type of information provided about expenses

This information is presented in the statement of functional expenses

Basis of Presentation

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

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 Day Care has no amounts to report in this category.

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.

HOLLY STREET CORPORATION

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

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.

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.

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

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.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. These expenses are presented by their natural classification in the statement of functional expenses by individual component of program service and administrative expenses.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through September 17, 2019, 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, 2018

Cash and cash equivalents	\$	47,110
Accounts receivable		57,773
Employee receivables		4,505

Financial assets available to meet general expenditures over next twelve months	\$	<u>109,388</u>
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(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, 2018. 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. The Day Care has an accounting risk of loss to the extent of unsecured accounts receivable in the amount of \$57,773.

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.

\$ 128,386

128,386

Less current portion

26,190

\$ 102,196

Maturities of long term debt are as follows: \$26,190 in 2019; \$27,900 in 2020; \$29,722 in 2021; \$31,663 in 2022 and \$12,911 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, 2020. As of December 31, 2019 the outstanding balance amounted to \$59,990. The line of credit is secured by a deed of trust.