

HOLLY STREET CORPORATION

Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



Hill, Harper & Associates
Certified Public Accountants

Independent Auditors' Report

The Board of Directors
Holly Street Corporation

We have audited the accompanying statement of financial position of Holly Street Corporation as of December 31, 2011 and 2010, 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 2010 financial statements and, in our report June 27, 2011, 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 and perform the audits to obtain reasonable assurance about whether these 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 accessing 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, 2011 and 2010, and changes in net assets and its cash flows for the years ended in conformity with accounting principles generally accepted in the United States.

Hill, Harper & Associates

Franklin, Tennessee
June 5, 2012

HOLLY STREET CORPORATION

Statements of Financial Position

December 31, 2011 and 2010

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 20,267	-
Accounts receivable:		
Accounts receivable	56,186	64,768
Grants receivable	1,037	1,332
Employee receivables	4,885	6,684
Gift certificates	645	565
Total accounts receivable	62,753	73,349
Total current assets	83,020	73,349
Property and equipment:		
Land	77,115	77,115
Buildings and improvements	577,969	575,362
Furniture and fixtures	86,794	81,956
Automobiles	46,150	56,950
	788,028	791,383
Less accumulated depreciation	(329,677)	(312,080)
Net property and equipment	458,351	479,303
Total assets	\$ 541,371	552,652
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Bank overdraft	\$ -	4,630
Accounts payable	11,478	22,824
Accrued payroll and benefits	15,909	12,717
Current portion of long term debt	17,225	20,825
Total current liabilities	44,612	60,996
Long term debt, net of current portion	255,096	272,343
Total liabilities	299,708	333,339
Net assets:		
Unrestricted net assets	241,663	219,313
Total net assets	241,663	219,313
Total liabilities and net assets	\$ 541,371	552,652

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statements of Activities and Changes in Net Assets

For the years ended December 31, 2011 and 2010

	<u>Total 2011</u>	<u>Total 2010</u>
Public support and revenue:		
Program service revenue	\$ 1,000,439	912,036
Governmental grant revenue	14,384	51,842
Private grants	5,013	6,180
United Way contributions	1,954	2,003
Interest	5	3
Special events	25,616	30,249
Contributions	4,842	2,840
Gain on sale of assets	-	1,250
Total support and revenue	<u>1,052,253</u>	<u>1,006,403</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>
	<u>1,052,253</u>	<u>1,006,403</u>
Expenses:		
Program services:		
Salaries and benefits	662,060	658,045
Payroll service fees	2,643	1,659
Teacher training	1,581	2,592
Lessons and field trips	16,264	15,782
Food service	51,553	47,045
Accounting fees	7,716	8,289
Vehicle expense	4,290	5,724
Depreciation	28,396	28,670
Equipment rent	3,788	3,963
Occupancy	41,416	40,908
Disposal service	2,131	1,898
Security	951	998
Repairs and maintenance	8,628	12,747
Contract labor	252	3,134
Insurance	31,240	36,371
Bad debts	700	3,385
Supplies	15,224	12,238
Curriculum supplies	4,856	4,504
Telephone	4,184	4,048
Interest	18,881	19,989
Miscellaneous	10,731	7,616
Total program services	<u>917,485</u>	<u>919,605</u>
Supporting services:		
General and administrative:		
Salaries and benefits	104,476	115,095
Fund raising	7,942	10,644
Total supporting services	<u>112,418</u>	<u>125,739</u>
Total expenses	<u>1,029,903</u>	<u>1,045,344</u>
Increase (decrease) in net assets	<u>22,350</u>	<u>(38,941)</u>
Net assets at beginning of year	<u>219,313</u>	<u>258,254</u>
Net assets at end of year	<u>\$ 241,663</u>	<u>219,313</u>

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Statements of Cash Flows

For the years ended December 31, 2011 and 2010

<u>Cash Flows from Operating Activities</u>	<u>2011</u>	<u>2010</u>
Cash received from:		
Clients and public support	\$ 1,049,638	953,432
Federal, state, and local governments	14,679	58,505
Interest income	5	3
Cash paid for:		
Employees and vendors	(996,883)	(981,388)
Interest	(18,881)	(19,989)
Net operating activities	<u>48,558</u>	<u>10,563</u>
 <u>Cash Flows from Investing Activities</u>		
Proceeds from sale of capital assets	-	1,250
Purchase of capital assets	(7,444)	(4,484)
Net investing activities	<u>(7,444)</u>	<u>(3,234)</u>
 <u>Cash Flows from Financing Activities</u>		
Repayments of long term debt	(20,847)	(19,537)
Net financing activities	<u>(20,847)</u>	<u>(19,537)</u>
Net increase (decrease) in cash and cash equivalents	20,267	(12,208)
Cash and cash equivalents at beginning of year	-	12,208
Cash and cash equivalents at end of year	<u>\$ 20,267</u>	<u>-</u>
 <u>Reconciliation of increase (decrease) in net assets to cash flows from operating activities</u>		
Increase (decrease) in net assets	\$ 22,350	(38,941)
Depreciation	28,396	28,670
Gain of sale of fixed assets	-	(1,250)
(Increase) decrease in operating assets:		
Accounts receivable	8,582	4,964
Grants receivable	295	6,663
Employee receivable	1,799	(3,924)
Gift certificates	(80)	(195)
Increase (decrease) in operating liabilities:		
Bank overdraft	(4,630)	4,630
Accounts payable	(11,346)	14,786
Accrued payroll and benefits	3,192	(4,840)
Net operating activities	<u>\$ 48,558</u>	<u>10,563</u>

See accompanying notes to financial statements.

HOLLY STREET CORPORATION

Notes to Financial Statements

December 31, 2011 and 2010

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 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 three classes of net assets as applicable:

Unrestricted net assets- Net assets not subject to donor imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the governing body. The amount of unrestricted net assets is presented in the statements of financial position, and the change is presented in the statement of activities.

The Day Care does not have amounts to report in the remaining two classes of net assets which are: Temporarily and Permanently Restricted Net Assets.

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.

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. Further management believes that the Day Care has no activities which will lead to taxes being levied.

Subsequent Events

Subsequent events have been evaluated for potential recognition and disclosure through June 5, 2012, the date these financial statements were available to be issued.

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 are 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, 2010, from which the summarized information was derived.

(2) Commitments

The Day Care leases buildings under lease arrangements classified as operating leases. Total rent expense under this lease amounted to \$21,600 for the years ended December 31, 2011 and 2010. This lease is on a month to month basis.

(3) 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 \$56,186.

(4) Long Term Debt

2011

2010

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.

\$	405	5,435
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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.

271,916	287,733
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272,321	293,168
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Less current portion	17,225	20,825
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\$	255,096	272,343
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Maturities of long term debt are as follows: \$17,225 in 2012; \$17,919 in 2013; \$19,089 in 2014; \$20,335 in 2015; \$21,663 in 2016 and \$176,090 thereafter.