

**GENESIS LEARNING CENTERS**  
**FINANCIAL STATEMENTS AND**  
**ACCOUNTANT'S REVIEW REPORT**  
**JUNE 30, 2021**

**GENESIS LEARNING CENTERS**  
**Financial Statements**  
**JUNE 30, 2021**

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## CPA for the Not-For-Profit Sector

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### INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of  
Genesis Learning Centers

We have reviewed the accompanying financial statements of Genesis Learning Centers (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

#### ***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.

#### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

#### ***Accountant's Conclusion***

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink that reads "Thomason Financial Resource".

August 20, 2021

**GENESIS LEARNING CENTERS**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2021**

**ASSETS**

**Current Assets**

Cash and cash equivalents	\$ 918,875
Grants and contracts receivable	247,064
Total current assets	<u>1,165,939</u>

**Property and Equipment** (net of  
accumulated depreciation of \$1,392,706)

366,333

**Other Assets**

Deposits	2,408
Long-term investments	202,175
Total assets	<u><u>\$ 1,736,855</u></u>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Notes payable	\$ 46,572
Accounts payable	53,094
Accrued expenses	95,691
Total current liabilities	<u>195,357</u>

**Notes payable**

702,858

Total liabilities

898,215

**Net Assets**

Without donor restrictions	838,640
Total liabilities and net assets	<u><u>\$ 1,736,855</u></u>

See independent accountant's review report and accompanying notes to financial statements

**GENESIS LEARNING CENTERS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2021**

<b>Revenue and public support</b>	<b><u>Without Donor Restrictions</u></b>
Client fees	\$ 4,590,785
Government grants	160,429
District funding	139,814
Contributions	9,640
Investment income, net	38,697
Interest income	231
Gain on forgiveness of note payable	636,600
Loss on disposal of assets	(4,988)
Total revenue and support	<u>5,571,208</u>
<b>Expenses</b>	
Program services	4,815,406
Supporting services:	
Management and general	567,786
Total supporting services	<u>567,786</u>
Total expenses	<u>5,383,192</u>
<b>Change in net assets</b>	188,016
Net assets at beginning of year	650,624
<b>Net assets at end of year</b>	<u><u>\$ 838,640</u></u>

See independent accountant's review report and accompanying notes to financial statements

**GENESIS LEARNING CENTERS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 2,801,444	\$ 347,318	\$ 3,148,762
Employee benefits	251,762	18,813	270,575
Payroll taxes	183,814	23,874	207,688
Total compensation	<u>3,237,020</u>	<u>390,005</u>	<u>3,627,025</u>
Depreciation	110,286	6,110	116,396
Insurance	29,426	60,015	89,441
Interest expense	7,541	5,887	13,428
Professional Fees	87,492	44,284	131,776
Rent	397,975	8,052	406,027
Repairs and maintenance	26,710	-	26,710
Services	583,221	2,570	585,791
Supplies	112,852	22,969	135,821
Student recreation	22,978	-	22,978
Transportation	13,862	90	13,952
Utilities	143,421	4,230	147,651
Other expenses	42,622	23,574	66,196
Total expenses by function	<u>\$ 4,815,406</u>	<u>\$ 567,786</u>	<u>\$ 5,383,192</u>
Current year's percentages	89.45%	10.55%	100.00%

See independent accountant's review report and accompanying notes to financial statements



**GENESIS LEARNING CENTERS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021**

**Cash Flows From Operating Activities**

Change in net assets	\$ 188,016
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	116,396
Investment income, net	(38,697)
Loss on disposal of assets	4,988
Gain on forgiveness of note payable	(636,600)
Changes in operating assets and liabilities:	
Grants and contracts receivable	29,293
Deposits	(420)
Accounts payable	48,144
Accrued expenses	65,947
Net cash used in operating activities	<u>(222,933)</u>

**Cash Flows From Investing Activities**

Purchases of property and equipment	(114,120)
Net cash used in investing activities	<u>(114,120)</u>

**Cash Flows From Financing Activities**

Payments on notes payable	(63,118)
Proceeds from issuance of notes payable	633,000
Net cash provided by financing activities	<u>569,882</u>
Net increase in cash and cash equivalents	232,829
Cash at beginning of year	686,046
Cash at end of year	<u><u>\$ 918,875</u></u>

**Supplemental Disclosure of Cash Flow Information:**

Cash paid during the year for interest	<u><u>\$13,428</u></u>
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See independent accountant's review report and accompanying notes to financial statements

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Genesis Learning Centers (the “Organization”), a Tennessee not-for-profit corporation, provides services to children, adolescents, and young adults with severe emotional, behavioral, and learning problems through educational and homebound programs. The Organization strives to create programs of excellence that will allow each child, youth and adult they serve to reach their greatest human potential, to find success from within, and to actively participate in the community of humankind. The majority of the Organization’s revenues are derived from contracts or grants through the Metropolitan Board of Education in Nashville and Davidson County and the Rutherford County Board of Education.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor’s instructions.



**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

**Basis of Presentation-continued**

Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as net assets without donor restrictions. When a restriction expires in a period after the contributions are received, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The amount for each of these classes of net assets is displayed in the statement of financial position and the amount of change in each class of net assets is displayed in the statement of activities. As of June 30, 2020, there were no net assets with donor restrictions.

**Cash and Cash Equivalents**

For purposes of the Statements of Cash Flows, the Organization considers all cash funds, cash bank accounts and highly liquid debt instruments, with an original maturity when purchased of three months or less, to be cash and cash equivalents. At June 30, 2020, the Organization had no cash equivalents.

**Contributions**

Contributions are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions.

**Grants and Contracts Receivable**

The Organization considers grants and contracts receivable to be fully collectible at year-end. Accordingly, no allowance for doubtful accounts has been recorded.

**Property and Equipment**

Property and equipment are recorded at cost to the Organization, or if donated, at the estimated fair market value at the date of donation. All depreciation is computed using the straight-line method based on the estimated useful life of the asset. When property and equipment are sold or otherwise disposed, the asset and related accumulated depreciation are relieved, and any gain or loss is included in operations. Expenditures for repairs and maintenance are charged to operations when incurred.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

**Client Fees**

Client fees are recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts. Majority of grants and contracts reimburse the Organization for a daily cost per student served during the year the services are rendered, which generally runs from August to June.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Investments**

Investments are stated at fair market value. Unrealized gains and losses, investment fees and interest and dividends are reflected in the statement of activities as investment income, net.

**Income Taxes**

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purpose (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The Organization is not classified as a private foundation.

**Expense Recognition and Allocation**

The costs of providing program services and supporting services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Expenses that can be identified with program or support service are charged directly to program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.



**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

**Financial Instruments**

Financial accounting standards relating to fair value measurements establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 2 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Values are unadjusted quoted prices for identical assets in active markets accessible at the measurement date.

Level 2 – Inputs include quoted prices for similar assets in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

*Investments* – Equity securities and mutual funds are valued at the closing price reported on the active market which they are traded, and are classified within level 1 of the valuation hierarchy.

While the Organization believes its valuation methodologies are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

The Organization has \$1,165,939 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$918,875, and grants and contracts receivable of \$247,064. None of these financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Organization has a goal to maintain financial assets, which consist of cash and receivables on hand to meet 60 days of normal operating expenses. The Organization also has a policy to structure its financial assets to be available as its general expenditures, liabilities, and any other obligations come due. As a part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements in investments (Note 6). The Organization also maintains a revolving line of credit of \$350,000 to cover short-term cash needs (Note 11).

**NOTE 3 – FAIR VALUE MEASUREMENTS**

The following table sets forth the Organization's major categories of assets measured at fair value on a recurring basis, by level within the fair value hierarchy, as of June 30, 2021:

	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	<u>Total</u>
Investments:				
Equity securities	\$ 88,253	\$ -	\$ -	\$ 88,253
Mutual funds	84,657			84,657
Fixed income	<u>29,265</u>	<u>-</u>	<u>-</u>	<u>29,265</u>
	<u>\$202,175</u>	<u>-</u>	<u>-</u>	<u>\$202,175</u>

**NOTE 4 – CONCENTRATIONS OF CREDIT RISK**

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of contract funds from the Metropolitan Board of Education in Nashville and Davidson County and the Rutherford County Board of Education. The contract funds represented 67% of the total revenue for the year ending June 30, 2021. A significant reduction in the level of this support, if this were to occur, could have an adverse impact on the Organization's programs and activities.

Amounts held in a financial institution occasionally are in excess of the Federal Deposit Insurance Corporation limit. The organization deposits its cash with a high quality financial institution, and management believes the organization is not exposed to significant credit risk on those amounts.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 5 – GRANTS AND CONTRACTS RECEIVABLE**

Grants and contracts receivable consist of the following at June 30, 2021:

Rutherford County Juvenile Court	\$119,476
Davidson County School District	63,948
Montgomery County Juvenile Court	61,416
Other	<u>2,224</u>
	<u>\$247,064</u>

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30, 2021:

Leasehold improvements	\$1,147,322
Furniture and equipment	304,857
Vehicles	<u>306,860</u>
	1,759,039
Less accumulated depreciation	<u>(1,392,706)</u>
	<u>\$ 366,333</u>

Estimated useful lives are 5-12 years for leasehold improvements and furniture and equipment, and 5 years for vehicles.

**NOTE 7 – LINE OF CREDIT**

The Organization has a \$350,000 revolving line of credit requiring monthly interest payments on the outstanding principal balance at a variable rate based on the prime rate not to be less than 4.50% or more than the lesser of 21.00% or the maximum rate allowed by applicable law. The line is secured by investment securities of the Organization. The terms of the line of credit require all unpaid principal and interest to be paid on February 15, 2022. No borrowings were outstanding under the agreement at June 30, 2021.



**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 8 – NOTES PAYABLE**

On April 22, 2020, the Organization was granted a loan from Insurors Bank in the aggregate amount of \$636,600, pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (“CARES”), which was enacted March 27, 2020. Due to the Organization using related loan proceeds for qualifying expenses as described in the CARES Act, this loan was forgiven by the lender on March 11, 2021.

On March 25, 2021, the Organization was granted a second PPP loan, from Insurors Bank in the aggregate amount of \$633,000. The loan may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, rent, and utilities. The Company intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

The unforgiven portion of the second PPP loan is payable over five years at an interest rate of 1% with a deferral of payments for the first seventeen months. See inclusion of this loan below.

	<b><u>2020</u></b>
Note payable to Insurors Bank bearing interest at 1.00%. The note requires monthly payments of \$14,860 beginning August 25, 2022. The note matures March 25, 2026.	\$633,000
Note payable to Wells Fargo Equipment Finance, Inc. bearing interest at 5.23%. The note requires monthly payments of principal and interest in the amount of \$3,881. The note matures December 31, 2024.	116,430
Total maturities	749,430
Less current maturities	( 46,572)
	<b><u>\$ 702,858</u></b>

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 8 – NOTES PAYABLE-continued**

Maturities of debt are as follows:

2022	\$ 46,572
2023	196,174
2024	197,504
2025	176,003
2026	<u>133,177</u>
	<u>\$ 749,430</u>

**NOTE 9 – COMMITMENTS AND CONTINGENCIES**

The Organization leases school and office facilities under three operating leases. Leases expire from June 30, 2024 to July 31, 2026. Rent expense for the year ended June 30, 2021 totaled \$379,429.

Future minimum rental payments under noncancellable operating leases are as follows:

**Rents**

2022	320,164
2023	330,164
2024	330,164
2025	228,300
2026	228,300
Thereafter	<u>4,025</u>
	<u>\$ 1,441,117</u>

**NOTE 10 – RETIREMENT PLAN**

On July 1, 2005, the Organization adopted a 401(k) plan whereby practically all employees may elect to contribute a portion of their salaries up to the Internal Revenue Code maximum annual limit. To be an eligible employee to participate in the plan, the employee will need to complete a Year of Service by being credited at least 1,000 hours of service by the end of the employee's first twelve consecutive months of employment. The plan provides for the Organization to make discretionary contributions to the plan. For fiscal year ended June 30, 2021, the rate of contribution is 100% of employee salary deferrals up to 2% of annual compensation. The amount charged to Organization retirement benefits expense for the year ended June 30, 2021 was \$11,599.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 11 – LUNCH PROGRAM**

Client fees in the Statement of Activities include student lunch program revenue and related expense for the Organization. Results of the student lunch program for year ended June 30, 2020 are as follows:

Student lunch revenue	\$ 43,676
Student lunch expense	( 59,796)
Net loss	<u>\$ ( 16,120)</u>

**NOTE 12 – RELATED PARTY**

Effective January 4, 2006, Terry Adams and Melissa Adams, Board President and Board Treasurer of Genesis Learning Centers, respectively, purchased the school facility in Nashville and leases back the facility to the Organization. The building will continue to be the school facility used in Nashville to provide services for its programs. The Organization paid Terry and Melissa Adams \$171,532 in rent for the year ended June 30, 2021.

**NOTE 13 – RISKS AND UNCERTAINTIES**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time. If the pandemic continues, it may have an adverse effect on the Organization’s results of future operations, financial position, and liquidity in fiscal year 2022.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 14 – SUBSEQUENT EVENTS**

The Organization evaluated subsequent events through August 20, 2021, the issuance of the Organization's financial statements.