

**GENESIS LEARNING CENTERS**  
**COMPILED FINANCIAL STATEMENTS**  
**JUNE 30, 2015 AND 2014**

**GENESIS LEARNING CENTERS**  
**Financial Statements**  
**JUNE 30, 2015 AND 2014**

**Table of Contents**

	<b><u>Page</u></b>
<b>Independent Accountant's Compilation Report</b>	<b>1</b>
<b>Statements of Financial Position</b>	<b>2</b>
<b>Statements of Activities</b>	<b>3</b>
<b>Statements of Cash Flows</b>	<b>4</b>
<b>Notes to Financial Statements</b>	<b>5-13</b>

## INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors  
Genesis Learning Centers  
Nashville, Tennessee

Management is responsible for the accompanying financial statements of Genesis Learning Centers (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America.

We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.



September 14, 2015

**GENESIS LEARNING CENTERS  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2015 AND 2014**

**ASSETS**

<b>Current Assets</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Cash and cash equivalents	\$ 322,583	\$ 499,516
Grants and contracts receivable	180,294	165,500
Total current assets	<u>502,877</u>	<u>665,016</u>
 <b>Property and Equipment</b> (net of accumulated depreciation of \$1,046,954 and \$994,540)	 <u>327,135</u>	 <u>117,729</u>
 <b>Other Assets</b>		
Deposits	1,988	1,988
Long-term investments	242,344	266,638
Total assets	<u><u>\$ 1,074,344</u></u>	<u><u>\$ 1,051,371</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Notes payable	\$ 35,415	\$ 1,478
Accounts payable	21,911	8,166
Accrued expenses	35,764	21,402
Total current liabilities	<u>93,090</u>	<u>31,046</u>
 <b>Notes payable</b>	 <u>131,930</u>	 <u>-</u>
Total liabilities	<u>225,020</u>	<u>31,046</u>
 <b>Net Assets</b>		
Unrestricted	849,324	1,020,325
Total liabilities and net assets	<u><u>\$ 1,074,344</u></u>	<u><u>\$ 1,051,371</u></u>

See accompanying notes and accountant's compilation report.

**GENESIS LEARNING CENTERS  
STATEMENTS OF ACTIVITIES**

	<u>For The Year Ended June 30,</u>	
	<u>2015</u>	<u>2014</u>
	<u>Unrestricted</u>	<u>Unrestricted</u>
<b>Revenue and public support</b>		
Client fees	\$ 4,236,717	\$ 4,237,677
Grant income	5,000	990
Investment income	8,462	8,972
Net (loss) gain on investments	(5,729)	21,068
Other	789	-
Total revenue and support	<u>4,245,239</u>	<u>4,268,707</u>
<b>Expenses</b>		
Salaries and wages	2,530,937	2,382,206
Employee benefits	542,263	494,658
Depreciation	52,415	28,187
Insurance	45,598	45,101
Interest expense	10,780	1,793
Investment expense	3,463	2,796
Postage	3,921	4,397
Professional Fees	56,071	47,224
Rent	309,454	320,198
Repairs and maintenance	43,749	65,115
Services	545,879	495,851
Staff travel	1,868	1,288
Student recreation	33,384	36,253
Supplies	57,288	65,380
Transportation	27,664	45,736
Utilities	108,594	101,459
Other expenses	42,912	49,426
Total expenses	<u>4,416,240</u>	<u>4,187,068</u>
<b>Change in net assets</b>	(171,001)	81,639
Net assets at beginning of year	1,020,325	938,686
<b>Net assets at end of year</b>	<u>\$ 849,324</u>	<u>\$ 1,020,325</u>

See accompanying notes and accountant's compilation report.

**GENESIS LEARNING CENTERS  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

<b>Cash Flows From Operating Activities</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Change in net assets	\$ (171,001)	\$ 81,639
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	52,415	28,187
Unrealized loss (gain) on investments	5,729	(21,068)
Changes in operating assets and liabilities:		
Grants and contracts receivable	(14,794)	(103)
Accounts payable	13,745	(14,158)
Accrued expenses	14,362	(3,032)
Net cash (used in) provided by operating activities	<u>(99,544)</u>	<u>71,465</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(261,820)	(24,880)
Purchase of investments	-	(108,487)
Net proceeds from sale of investments	18,564	-
Net cash (used in) provided by investing activities	<u>(243,256)</u>	<u>(133,367)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on notes payable	(22,655)	(23,237)
Proceeds from issuance of notes payable	188,522	1,478
Net cash provided by (used in) financing activities	<u>165,867</u>	<u>(21,759)</u>
Net decrease in cash and cash equivalents	(176,933)	(83,661)
Cash at beginning of year	499,516	583,177
Cash at end of year	<u>\$ 322,583</u>	<u>\$ 499,516</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest	<u>\$10,755</u>	<u>\$1,793</u>

See accompanying notes and accountant's compilation report.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**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:

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted. When a restriction expires in a period after the contributions are received, temporarily restricted net assets are reclassified to unrestricted net assets 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, 2015 and 2014, there were no temporarily restricted net assets.

**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, 2015 and June 30, 2014, the Organization had no cash equivalents.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

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

**Contributions**

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

**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.

**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.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

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

**Investments**

Investments are stated at fair market value. Unrealized gains and losses and interest and dividends are reflected in the accompanying financial statements.

**Income Taxes**

The Organization is a nonprofit organization exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code, and the Organization is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

The Organization accounts for the effect of any uncertain tax positions based on a *more likely than not* threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a *cumulative probability assessment* that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Organization include, but are not limited to, the tax exempt status and determination of whether income is subject to unrelated business income tax; however, the Organization has determined that such tax positions do not result in an uncertainty requiring recognition. Tax years that remain open to examination include years ended June 30, 2012 through June 30, 2015.

**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.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

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

**Financial Instruments - continued**

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.

**NOTE 2 – 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:

	Level 1	2015 Level 2	Level 3	
	<u>Inputs</u>	<u>Inputs</u>	<u>Inputs</u>	<u>Total</u>
Investments:				
Equity securities	\$116,447	\$ -	\$ -	\$116,447
Mutual funds	<u>125,897</u>	<u>-</u>	<u>-</u>	<u>125,897</u>
	<u>\$242,344</u>	<u>-</u>	<u>-</u>	<u>\$242,344</u>

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**NOTE 2 – FAIR VALUE MEASUREMENTS – continued**

	Level 1	2014 Level 2	Level 3	Total
	<u>Inputs</u>	<u>Inputs</u>	<u>Inputs</u>	
Investments:				
Equity securities	\$119,354	\$ -	\$ -	\$119,354
Mutual funds	<u>147,284</u>	<u>-</u>	<u>-</u>	<u>147,284</u>
	<u>\$266,638</u>	<u>-</u>	<u>-</u>	<u>\$266,638</u>

**NOTE 3 – 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 71% and 70% of the total revenue for the years ending June 30, 2015 and 2014, respectively. A significant reduction in the levels of this support, if this were to occur, could have an adverse impact on the Organization's programs and activities.

**NOTE 4 – GRANTS AND CONTRACTS RECEIVABLE**

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

	<u>2015</u>	<u>2014</u>
Rutherford County Juvenile Court	\$ 55,151	\$ 57,069
Davidson County School District	46,536	34,386
Montgomery County Juvenile Court	65,964	71,344
Various Tennessee County School Districts	<u>12,643</u>	<u>2,701</u>
	<u>\$180,294</u>	<u>\$165,500</u>

**NOTE 5 – INVESTMENTS**

Investments consist of mutual funds and equity securities at June 30:

	<u>2015</u>		<u>2014</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual funds	\$118,887	\$125,897	\$138,200	\$147,284
Equity securities	<u>105,210</u>	<u>116,447</u>	<u>104,565</u>	<u>119,354</u>
	<u>\$224,097</u>	<u>\$242,344</u>	<u>\$242,765</u>	<u>\$266,638</u>

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**NOTE 5 – INVESTMENTS- continued**

Interest and dividends earned from investments totaled \$8,462 and \$8,972 for the years ended June 30, 2015 and 2014, respectively. Investment fees totaled \$3,463 and \$2,796 for the years ended June 30, 2015 and 2014, respectively. Net unrealized and realized (loss) gain on investments amounted to \$(5,729) and \$21,068 for the years ended June 30, 2015 and 2014, respectively.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 872,982	\$ 619,005
Furniture and equipment	156,058	148,215
Vehicles	<u>345,049</u>	<u>345,049</u>
	1,374,089	1,112,269
Less accumulated depreciation	<u>(1,046,954)</u>	<u>(994,540)</u>
	<u>\$ 327,135</u>	<u>\$ 117,729</u>

Estimated useful lives are 5 years, 4-12 years, and 5 years for leasehold improvements, furniture and equipment, and vehicles, respectively.

**NOTE 7 – NOTES PAYABLE**

	<u>2015</u>	<u>2014</u>
Note payable to Insurors Bank bearing interest at 5.00%.	\$ 167,345	\$ 1,478
The note was opened on June 19, 2014 and requires a principal amount of \$190,000 to be drawn down over four months with only interest being paid over the first four months. Beginning December 2, 2014, the note requires monthly payments of principal and interest in the amount of \$3,592. The note matures November 2, 2019.		

Total maturities	167,345	1,478
Less current maturities	<u>( 35,415)</u>	<u>( 1,478)</u>
	<u>\$131,930</u>	<u>\$ -</u>

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**NOTE 7 – NOTES PAYABLE-continued**

Maturities of debt are as follows:

2016	\$ 35,415
2017	37,273
2018	39,207
2019	41,241
2020	<u>14,209</u>
	<u>\$167,345</u>

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

The Organization leases school and office facilities under three operating leases. Leases expire from August 1, 2016 to June 30, 2019. Rent expense for the years ended June 30, 2015 and 2014 totaled \$309,454 and \$320,198, respectively.

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

**Rents**

2016	251,196
2017	148,846
2018	84,996
2019	<u>84,996</u>
	<u>\$ 570,034</u>

**NOTE 9 – 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 both fiscal years ended June 30, 2015 and 2014, the rate of contribution is 100% of employee salary deferrals up to 2% of annual compensation. The amounts charged to Organization retirement benefits expense and contributed to this plan for the years ended June 30, 2015 and 2014 were \$25,200 and \$19,419, respectively.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**NOTE 10 – LINE OF CREDIT**

The Organization has a \$215,000 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 4.75% or more than the lesser of 21.00% or the maximum rate allowed by applicable law. The line is secured by equipment, accounts receivable, and investment securities of the Organization. In addition, this renewed line of credit includes a quarterly borrowing base reporting requirement. The terms of the line of credit require all unpaid principal and interest to be paid on December 15, 2015. No borrowings were outstanding under the agreement at June 30, 2015 or 2014.

**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 are as follows:

	<u>2015</u>	<u>2014</u>
Student lunch revenue	\$84,212	\$81,036
Student lunch expense	<u>(87,640)</u>	<u>(81,993)</u>
Net loss	<u>\$ (3,428)</u>	<u>\$ ( 957)</u>

**NOTE 12 – FUNCTIONAL EXPENSES**

The Organization incurred functional expenses for the year ended June 30 as follows:

	<u>2015</u>		<u>2014</u>	
Program	\$4,071,768	92%	\$3,845,897	92%
Administrative	<u>344,472</u>	<u>8%</u>	<u>341,171</u>	<u>8%</u>
	<u>\$4,416,240</u>	100%	<u>\$4,187,068</u>	100%

**NOTE 13 – RELATED PARTY**

Effective January 4, 2006, Terry Adams and Melissa Adams, Executive Director and Assistant Executive Director 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 \$136,258 and \$139,327 in rent for the years ended June 30, 2015 and 2014, respectively.

Both Terry and Melissa Adams receive compensation from the Organization for their services as Executive Director and Assistant Executive Director, respectively, to the Organization.

**GENESIS LEARNING CENTERS**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**NOTE 14 – SUBSEQUENT EVENT**

The Organization evaluated subsequent events through September 14, 2015, the issuance of the Organization's financial statements.