

**HOLLY STREET CORPORATION**

**Financial Statements**

**December 31, 2015 and 2014**

**(With Independent Auditors' Report Thereon)**

# **HOLLY STREET CORPORATION**

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Hill, Harper & Associates  
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 statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years 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 audits. 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 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, 2015 and 2014, 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*

**Franklin, Tennessee  
February 22, 2016**

# HOLLY STREET CORPORATION

## Statements of Financial Position

December 31, 2015 and 2014

<u>Assets</u>	<u>2015</u>	<u>2014</u>
<b>Cash and cash equivalents</b>	\$ 97,530	78,016
<b>Accounts receivable:</b>		
Accounts receivable	67,996	57,830
Grants receivable	461	307
Employee receivables	3,996	5,748
Prepaid insurance	8,090	7,782
Gift certificates	831	831
Total accounts receivable	<u>81,374</u>	<u>72,498</u>
<b>Total current assets</b>	<u>178,904</u>	<u>150,514</u>
<b>Property and equipment:</b>		
Land	77,115	77,115
Buildings and improvements	629,454	629,454
Furniture and fixtures	96,607	92,475
Automobiles	46,150	46,150
	<u>849,326</u>	<u>845,194</u>
Less accumulated depreciation	<u>(418,636)</u>	<u>(394,197)</u>
<b>Net property and equipment</b>	<u>430,690</u>	<u>450,997</u>
<b>Total assets</b>	<u>\$ 609,594</u>	<u>601,511</u>
<b><u>Liabilities and Net Assets</u></b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 7,051	4,233
Accrued payroll and benefits	32,291	17,370
Current portion of long term debt	21,663	20,335
<b>Total current liabilities</b>	<u>61,005</u>	<u>41,938</u>
<b>Long term debt, net of current portion</b>	<u>176,045</u>	<u>197,727</u>
<b>Total liabilities</b>	<u>237,050</u>	<u>239,665</u>
<b>Net assets:</b>		
<b>Unrestricted net assets</b>	<u>372,544</u>	<u>361,846</u>
<b>Total net assets</b>	<u>372,544</u>	<u>361,846</u>
<b>Total liabilities and net assets</b>	<u>\$ 609,594</u>	<u>601,511</u>

See accompanying notes to financial statements.



# HOLLY STREET CORPORATION

## Statements of Activities and Changes in Net Assets

For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>Public support and revenue:</b>		
Program service revenue	\$ 965,119	1,014,809
Governmental grant revenue	4,141	4,192
Private grants	3,558	1,500
United Way contributions	1,691	2,170
Interest	30	19
Special events	48,747	36,769
Contributions	1,117	8,091
<b>Total support and revenue</b>	<u>1,024,403</u>	<u>1,067,550</u>
<b>Expenses:</b>		
<b>Program services:</b>		
Salaries and benefits	641,433	660,613
Payroll service fees	3,644	3,197
Teacher training	7,636	3,279
Lessons and field trips	17,595	17,451
Food service	22,830	20,565
Accounting fees	9,840	8,238
Vehicle expense	1,426	3,052
Credit card fees	6,534	6,334
Depreciation	24,439	24,512
Equipment rent	4,093	4,103
Occupancy	42,935	44,074
Disposal service	1,202	1,132
Security	1,178	1,746
Repairs and maintenance	13,163	9,142
Contract labor	3,907	4,644
Insurance	17,352	15,169
Supplies	16,027	10,433
Curriculum supplies	5,308	4,564
Telephone	1,520	740
Interest	13,282	14,517
Miscellaneous	6,293	4,556
<b>Total program services</b>	<u>861,637</u>	<u>862,061</u>
<b>Supporting services:</b>		
General and administrative:		
Salaries and benefits	143,541	143,541
Fund raising	8,527	8,407
<b>Total supporting services</b>	<u>152,068</u>	<u>151,948</u>
<b>Total expenses</b>	<u>1,013,705</u>	<u>1,014,009</u>
<b>Increase in net assets</b>	10,698	53,541
<b>Net assets at beginning of year</b>	<u>361,846</u>	<u>308,305</u>
<b>Net assets at end of year</b>	<u>\$ 372,544</u>	<u>361,846</u>

See accompanying notes to financial statements.

# HOLLY STREET CORPORATION

## Statements of Cash Flows

For the years ended December 31, 2015 and 2014

<u>Cash Flows from Operating Activities</u>	<u>2015</u>	<u>2014</u>
<b>Cash received from:</b>		
Clients and public support	\$ 1,010,066	1,058,212
Federal, state, and local governments	3,987	5,486
Interest income	30	19
<b>Cash paid for:</b>		
Employees and vendors	(956,801)	(987,086)
Interest	(13,282)	(14,517)
Net operating activities	<u>44,000</u>	<u>62,114</u>
 <u>Cash Flows from Investing Activities</u>		
Purchase of capital assets	<u>(4,132)</u>	<u>(18,884)</u>
Net investing activities	<u>(4,132)</u>	<u>(18,884)</u>
 <u>Cash Flows from Financing Activities</u>		
Repayments of long term debt	<u>(20,354)</u>	<u>(19,111)</u>
Net financing activities	<u>(20,354)</u>	<u>(19,111)</u>
Net increase in cash and cash equivalents	19,514	24,119
Cash and cash equivalents at beginning of year	<u>78,016</u>	<u>53,897</u>
Cash and cash equivalents at end of year	<u>\$ 97,530</u>	<u>78,016</u>
 <u>Reconciliation of increase in net assets to cash flows from operating activities</u>		
Increase in net assets	\$ 10,698	53,541
Depreciation	24,439	24,512
(Increase) decrease in operating assets:		
Accounts receivable	(10,166)	(4,511)
Grants receivable	(154)	1,294
Employee receivable	1,752	184
Prepaid insurance	(308)	(7,782)
Gift certificates	-	(616)
Increase (decrease) in operating liabilities:		
Accounts payable	2,818	(1,749)
Accrued payroll and benefits	<u>14,921</u>	<u>(2,759)</u>
Net operating activities	<u>\$ 44,000</u>	<u>62,114</u>

See accompanying notes to financial statements.

# HOLLY STREET CORPORATION

## Notes to Financial Statements

December 31, 2015 and 2014

### **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.

#### **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.

#### **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.



# 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.

#### 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 February 22, 2016, 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.

#### 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.



# HOLLY STREET CORPORATION

## Notes to Financial Statements, Continued

### (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, 2015 and 2014. 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 \$67,996

### (4) Long Term Debt

2014

2013

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.

\$ 197,708 218,062

197,708 218,062

Less current portion 21,663 20,335

\$ 176,045 197,727

Maturities of long term debt are as follows: \$21,663 in 2016; \$23,078 in 2017; \$24,585 in 2018; \$26,190 in 2019; \$27,900 in 2020 and \$74,292 thereafter.