

**THE VILLAGE LEARNING
CENTER, INC.
dba The Village Learning & Achievement Center**

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2018 and 2017**

**THE VILLAGE LEARNING CENTER, INC.
TABLE OF CONTENTS**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO THE FINANCIAL STATEMENTS	8



Reimer, McGuinness & Associates, PC

CPAs & Advisors

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Village Learning Center, Inc.

We have audited the accompanying statements of financial position of The Village Learning Center, Inc. (a non-profit organization) dba Village Learning & Achievement Center, for the years ended December 31, 2018 and 2017, and the related statements of activities, functional expenses, 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.

Auditors' 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 from 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 on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and 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 The Village Learning Center, Inc. for the years ended December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Reimer, McGuinness & Associates, P.C.

Houston, Texas
June 6, 2019

FINANCIAL STATEMENTS

THE VILLAGE LEARNING CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Unrestricted cash and cash equivalents	\$ 218,465	\$ 144,716
Pledges receivable	5,985	1,275
Accounts receivable	156,602	137,393
Less: Allowance for doubtful accounts	(4,698)	(2,422)
Net accounts receivable	<u>151,904</u>	<u>134,971</u>
Prepaid expenses	<u>19,917</u>	<u>3,329</u>
Total Current Assets	396,271	284,291
FIXED ASSETS		
Land	626,935	626,935
Computers and equipment	360,627	346,087
Vehicles	343,385	343,385
Software	9,745	9,745
Building improvements	586,302	586,302
Buildings	5,293,762	5,293,762
Construction in progress	<u>56,428</u>	<u>56,428</u>
Total Fixed Assets	7,277,184	7,262,644
Less: Accumulated depreciation	<u>(2,259,039)</u>	<u>(2,001,314)</u>
Fixed Assets, Net	5,018,145	5,261,330
OTHER ASSETS		
Security deposits	-	3,500
Long-term receivable	<u>481,000</u>	<u>-</u>
Total Other Assets	481,000	3,500
TOTAL ASSETS	<u>\$ 5,895,416</u>	<u>\$ 5,549,121</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 38,405	\$ 15,051
Tenant deposits	-	11,600
Accrued payroll	-	14,094
Other current liabilities	80,172	16,509
Short term notes payable	1,667	4,727
Short term bank loans	43,227	107,131
Current portion of long-term debt	<u>41,776</u>	<u>148,956</u>
Total Current Liabilities	205,247	318,068
NON CURRENT LIABILITIES		
Long-term debt	<u>26,106</u>	<u>267,258</u>
Total Non Current Liabilities	26,106	267,258
TOTAL LIABILITIES	231,353	585,326
NET ASSETS		
Without Donor Restrictions	<u>5,664,063</u>	<u>4,963,795</u>
Total Net Assets	5,664,063	4,963,795
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,895,416</u>	<u>\$ 5,549,121</u>

See independent auditors' report and notes to financial statements

THE VILLAGE LEARNING CENTER, INC.
STATEMENTS OF ACTIVITIES
For the Years Ending December 31, 2018 and 2017

	2018	2017
Net Assets Without Donor Restrictions		
Revenue and Gains		
Center income	\$ 946,977	\$ 1,069,169
Stoney Glen income	433,483	374,504
Thrift Store income	148,544	162,182
Interest income	-	47
Employment advantage	-	375
Fundraising income	1,844,974	875,562
Total Revenues and Gains Without Donor Restrictions	3,373,978	2,481,839
 EXPENSES		
General and administrative	301,250	333,081
Program expenses		
Stoney Glen	462,970	386,607
Employment advantage	-	66,138
Thrift Store	119,811	89,464
Center	1,506,030	1,433,061
Fundraising and special events expenses	283,649	230,568
Total Expenses	2,673,710	2,538,919
INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	700,268	(57,080)
NET ASSETS, BEGINNING OF YEAR	4,963,795	5,020,875
 NET ASSETS AT END OF YEAR	\$ 5,664,063	\$ 4,963,795

See independent auditors' report and notes to financial statements

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THE VILLAGE LEARNING CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING DECEMBER 31, 2018

	PROGRAM SERVICES			SUPPORTING SERVICES		TOTAL
	STONEY GLEN	THRIFT STORE	CENTER	FUNDRAISING	MANAGEMENT AND GENERAL	
Advertising	\$ 1,709	\$ 1,663	\$ -	\$ -	\$ -	\$ 3,372
Association Fees	211	-	97	502	3,241	4,051
Auto Expenses	-	89	39,799	65	-	39,954
Bank Service Charges	-	-	-	7,567	5,492	13,058
Cleaning	3,794	23	9,075	-	-	12,892
Computer Software	-	-	797	4,392	6,188	11,376
Contract Labor & Services	2,727	-	5,002	16,408	244	24,381
Dues & Filing Fees	-	-	5,372	687	1,612	7,670
Employee Benefits & Morale	67	107	645	-	5,482	6,301
Employee Recruitment	3	-	7,720	-	-	7,723
Equipment Rental	-	-	3,497	397	2,351	6,244
Field Trips/Outings	6,445	-	2,588	10	-	9,043
Groceries & Food	24,560	-	18,519	-	435	43,515
Insurance	6,831	-	72,014	-	16,149	94,994
Interest Expense	19,481	-	8,265	-	2,088	29,833
Legal & Professional	-	-	-	3,081	43,932	47,013
Maintenance & Repairs	17,140	1,461	23,496	-	8,623	50,721
Meetings/Seminars	-	-	-	2,547	1,199	3,746
Payroll	288,106	38,491	965,670	126,381	119,406	1,538,054
Permits & Fees	-	-	-	-	-	-
Postage & Delivery	-	-	1,012	4,872	2,643	8,527
Printing	-	-	369	615	-	984
Professional Training/Networking	733	-	2,638	-	11,286	14,657
Rent	-	69,600	-	-	-	69,600
Security	460	-	1,183	-	-	1,643
Special Events	-	-	-	105,499	-	105,499
Staff Training	2,677	-	8,270	732	4,380	16,059
Storage Rental	-	-	4,086	-	404	4,491
Supplies	10,597	1,814	30,423	9,896	12,369	65,099
Taxes	-	-	-	-	22,383	22,383
Teaching Materials	-	-	-	-	-	-
Travel & Entertainment	-	-	-	-	-	-
Utilities	20,730	5,152	61,793	-	26,189	113,863
Depreciation Expense	56,699	-	195,871	-	5,155	257,725
Website	-	-	-	-	-	-
Other	-	1,410	37,827	-	-	39,237
	<u>\$ 462,970</u>	<u>\$ 119,811</u>	<u>\$ 1,506,030</u>	<u>\$ 283,649</u>	<u>\$ 301,250</u>	<u>\$ 2,673,710</u>

See independent auditors' report and notes to financial statements

THE VILLAGE LEARNING CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING DECEMBER 31, 2017

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	STONE GLEN	EMPLOYMENT ADVANTAGE	THRIFT STORE	CENTER	FUNDRAISING	MANAGEMENT AND GENERAL	
Advertising	\$ 3,629	\$ -	\$ 3,532	\$ -	\$ -	\$ -	\$ 7,161
Association Fees	181	-	-	84	431	2,784	3,480
Auto Expenses	-	-	75	33,581	55	-	33,711
Bank Service Charges	-	-	-	-	8,242	5,982	14,224
Cleaning	3,884	-	23	9,292	-	-	13,200
Computer Software	-	-	-	576	3,174	4,472	8,221
Contract Labor & Services	8,182	731	-	14,275	49,221	731	73,141
Dues & Filing Fees	-	-	-	1,493	191	448	2,132
Employee Benefits & Morale	30	-	48	291	-	2,470	2,839
Employee Recruitment	2	-	-	5,005	-	-	5,005
Equipment Rental	-	-	-	9,770	1,109	6,568	17,446
Field Trips/Outings	11,370	-	-	4,566	17	-	15,954
Groceries & Food	-	-	-	-	-	-	-
Insurance	9,751	7,513	-	140,520	-	30,054	187,838
Interest Expense	21,959	-	-	9,316	-	2,354	33,629
Legal & Professional	-	-	-	-	7,162	102,121	109,283
Maintenance & Repairs	7,972	-	680	10,928	-	4,010	23,591
Meetings/Seminars	-	-	-	-	1,288	606	1,895
Payroll	224,358	53,636	20,148	828,481	110,181	104,101	1,340,905
Permits & Fees	345	-	62	575	110	121	1,214
Postage & Delivery	-	-	-	677	3,259	1,768	5,705
Printing	-	-	-	3,010	5,017	-	8,027
Professional Training/Networking	132	1,452	-	1,715	-	9,893	13,190
Rent	-	-	57,000	-	-	-	57,000
Security	714	-	-	1,836	-	-	2,551
Special Events	-	-	-	-	33,458	-	33,458
Staff Training	1,605	567	-	5,551	516	3,090	11,329
Storage Rental	-	-	-	4,997	-	495	5,491
Supplies	6,908	904	1,260	20,678	6,873	8,591	45,213
Taxes	-	-	-	-	-	9,864	9,865
Teaching Materials	-	-	-	3,721	-	37	3,760
Travel & Entertainment	3	179	5	-	264	73	524
Utilities	21,040	1,155	5,230	61,561	-	26,580	115,566
Depreciation Expense	64,541	-	-	222,962	-	5,868	293,371
Website	-	-	-	-	-	-	-
Other	-	-	1,401	37,600	-	-	39,000
	<u>\$ 386,607</u>	<u>\$ 66,138</u>	<u>\$ 89,464</u>	<u>\$ 1,433,061</u>	<u>\$ 230,568</u>	<u>\$ 333,081</u>	<u>\$ 2,538,919</u>

See independent auditors' report and notes to financial statements

THE VILLAGE LEARNING CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDING DECEMBER 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 700,268	\$ (57,080)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	257,725	293,079
(Increase) decrease in operating assets		
Accounts receivable	(16,933)	(15,974)
Pledges receivable	(4,710)	22,325
Long-term receivable	(481,000)	-
Due from B Wells	-	150
Due from Village at Hickory Glen	-	6,000
Security deposits	3,500	-
Prepays	(16,588)	8,417
Increase (decrease) in operating liabilities		
Tenant deposits	(11,600)	-
Accounts payable	23,354	(85,714)
Accrued payroll	(14,094)	1,509
Other current liabilities	63,663	(45,985)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>503,586</u>	<u>126,726</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for fixed asset purchases	(14,540)	278,617
NET CASH USED BY INVESTING ACTIVITIES	<u>(14,540)</u>	<u>278,617</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on short term notes payables	(3,060)	(3,123)
Payments from short term bank loans	(63,904)	(25,482)
Payments on long term debt	(348,333)	(282,659)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>(415,297)</u>	<u>(311,264)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	73,749	94,079
BEGINNING CASH AND CASH EQUIVALENTS	<u>144,716</u>	<u>50,636</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 218,465</u>	<u>\$ 144,716</u>
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	<u>\$ 29,834</u>	<u>\$ 33,629</u>

See independent auditors' report and notes to financial statements

NOTES TO FINANCIAL STATEMENTS

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 1-NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Village Learning Center, Inc. (the Organization), dba The Village Learning & Achievement Center, is a non-profit organization dedicated to creating environments that enable individuals with learning and developmental disabilities to reach their maximum potential and to celebrate and promote the spirit of inclusion in all aspects of human endeavor within our community.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as revenues and gains without donor restrictions. The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Donated Services, Goods, and Facilities

A substantial number of volunteers have donated numerous hours to the Organization's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated professional services and or property and equipment, if any, are reflected in the statement of activities at their fair value. For the year ended December 31, 2018 and 2017, the Organization recorded approximately \$2,671 and \$5,000 respectively, in contributed legal and consulting professional services. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

**NOTE 1-NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking and money market accounts and other short-term investments of a liquid nature with maturities of less than 90 days. At year end and throughout the year, the Organization's cash balances were deposited in several bank accounts at two banks. Management believes that the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Accounts Receivable

Trade accounts receivable are stated at the amount the Organization expects to collect. The Organization maintains allowances for doubtful accounts for estimated losses resulting from the inability of clients to make required payments. Management considers past transaction history with the client and current economic industry trends when evaluating accounts for collectability. Past due balances and other higher risk amounts are reviewed individually for collectability. Based on management's assessment, the Organization provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The allowance account for the years ended December 31, 2018 & 2017 was \$4,698 and \$2,422, respectively. For the years ended December 31, 2018 & 2017, accounts receivable worth \$3,576 and \$0, respectively, were written off as uncollectible.

Advertising Costs

Advertising costs are expensed as incurred.

Reclassification Adjustments

Certain adjustments have been made to make the presentation of prior year amounts to conform to current year presentation. These adjustments have no impact on net income or net assets and are not material to the financial statements.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

**NOTE 1-NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Expense Allocation

Expenses for the Organization have been disaggregated in the Statement of Functional Expenses by both, natural and functional expense classifications. Expenses that directly relate to a particular program or supporting service, have been allocated to that said category on the Statement of Functional Expense. Other expenses have been allocated based on management's estimate, time devoted by the Organization's staff, or square footage allocated to a specific program or supporting service.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization files an annual Form 990 information report with the Internal Revenue Service. In general, IRS filings are subject to examination by the IRS for a period of three years. The Organization is current on all IRS filings.

Financial Statement Presentation

The Organization follows the recommendation of the Financial Accounting Standards Board in *Accounting Standards Codification 958: Not-for-Profit Entities*. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. As of both December 31, 2018 and December 31, 2017 all net assets are without donor restrictions

Subsequent Events

Subsequent events have been evaluated through June 6, 2019, which is the date the financial statements were issued.

NOTE 2-BOARD DESIGNATED FUNDS

During 2017, the Board of Directors of the Organization designated \$84,370 for emergency funds (rainy day). During 2018, the Board designated \$30,305 towards the same purpose. These funds are part of Net Assets Without Donor Restrictions on the Statement of Financial Position.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 3-FIXED ASSETS

It is the Organization’s policy to capitalize property and equipment over \$1,500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method. The following estimated useful lives are used:

Buildings	25 years
Building Improvements	20 years
Furniture and equipment	5-15 years
Vehicles	5 years
Software	3 years
Computer equipment	3 years

NOTE 4-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, 2018 and 2017, reduced by amounts not available for general use because of board-designated funds set aside for a specific purpose and long-term receivables expected to be collected in 2019:

	<u>2018</u>	<u>2017</u>
Financial assets, at year-end:		
Unrestricted cash and cash equivalents	\$ 218,465	\$ 144,716
Pledges receivable	5,985	1,275
Net accounts receivable	151,904	134,971
Less: Board-designated funds:		
Emergency (rainy day) funds	<u>(30,305)</u>	<u>(84,370)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 346,049</u>	<u>\$ 196,592</u>

Additionally, the Organization has a line of credit of \$150,000, with available (unused) funds of \$106,773 as of December 31, 2018, which it could draw upon in the event of an anticipated liquidity need.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 and 2017

NOTE 5-LONG-TERM DEBT

Long-term debt at December 31, 2018 consists of the following:

Installment loan payable to Wells Fargo Bank, in monthly payments of \$2,665.39 including interest at 4.65% through August 18, 2020. Collateralized by real estate known as 2225 Stoney Glen and 3819 Plum Valley Drive	\$ 47,004
Installment loan payable to Ford Credit, in monthly payments of \$1,055.02 including interest at 1.9% through May 2020. Collateralized by a vehicle	20,878
Total long-term debt	<u>67,882</u>
Less current portion	<u>(41,776)</u>
Long-term liabilities	<u>\$ 26,106</u>

Minimum required principal payments for the next five years and thereafter are as follows:

<u>Year</u>	<u>Balance Due</u>
2019	\$ 41,776
2020	26,106
2021 and thereafter	-
Total	<u>\$ 67,882</u>

NOTE 6-RELATED PARTY TRANSACTIONS

From time to time, board members make short-term loans to the Organization, in order to maintain working capital. These are repaid from operating funds and are not material to the financial statements.