

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

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2017 and 2016**

**THE VILLAGE LEARNING CENTER, INC.
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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 and Achievement Center, as of December 31, 2017 and 2016, 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. as of December 31, 2017 and 2016, 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
August 10, 2018

FINANCIAL STATEMENTS

THE VILLAGE LEARNING CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Unrestricted cash and cash equivalents	\$ 144,716	\$ 50,636
Pledges receivable	1,275	23,600
Trade accounts receivable	137,393	121,734
Less: Allowance for doubtful accounts	(2,422)	(2,737)
Net accounts receivable	134,971	118,997
Prepaid expenses	3,329	11,746
Total Current Assets	284,291	204,979
FIXED ASSETS		
Land	626,935	901,672
Computers and equipment	346,087	346,087
Vehicles	343,385	343,385
Software	9,745	9,745
Building improvements	586,302	586,302
Buildings	5,293,762	5,297,642
Construction in progress	56,428	56,428
Total Fixed Assets	7,262,644	7,541,261
Less: Accumulated depreciation	(2,001,314)	(1,708,235)
Fixed Assets, Net	5,261,330	5,833,026
OTHER ASSETS		
Security deposits	3,500	3,500
Due from B Wells	-	150
Due from Village at Hickory Glen	-	6,000
Total Other Assets	3,500	9,650
TOTAL ASSETS	\$ 5,549,121	\$ 6,047,655
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Tenant deposits	\$ 11,600	\$ 11,600
Accounts payable	15,049	100,765
Accrued payroll	14,094	12,585
Other current liabilities	16,509	62,494
Short term notes payable	4,727	7,850
Short term bank loans	107,131	132,613
Current portion of long-term debt	148,956	312,358
Total Current Liabilities	318,067	640,265
NON CURRENT LIABILITIES		
Long-term debt	267,258	386,515
Total Non Current Liabilities	267,258	386,515
TOTAL LIABILITIES	585,326	1,026,780
NET ASSETS		
Unrestricted net assets	4,963,796	5,020,875
Total Net Assets	4,963,796	5,020,875
TOTAL LIABILITIES AND NET ASSETS	\$ 5,549,121	\$ 6,047,655

See independent auditors' report and notes to financial statements

THE VILLAGE LEARNING CENTER, INC.
STATEMENTS OF ACTIVITIES
For the Years Ending December 31, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
Unrestricted revenue and gains		
Center income	\$ 1,069,169	\$ 1,207,900
Stoney Glen income	374,504	336,834
Thrift Store income	162,182	158,811
Interest income	47	10
Employment advantage	375	-
Fundraising income	875,563	757,844
Total Unrestricted Revenues and Gains	2,481,840	2,461,399
Net assets released from restrictions		
Restrictions satisfied by payments	-	-
Total Unrestricted Revenues and Gains and Other Support	2,481,840	2,461,399
 EXPENSES		
General and administrative	272,743	437,012
Fundraising and special events expenses	290,906	317,433
Program expenses		
Stoney Glen	386,607	421,597
Employment advantage	66,138	67,033
Thrift Store	89,464	85,698
Center	1,433,061	1,344,959
Total Expenses	2,538,918	2,673,732
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(57,078)	(212,333)
 NET ASSETS, BEGINNING OF YEAR	5,020,875	5,233,208
 NET ASSETS AT END OF YEAR	\$ 4,963,796	\$ 5,020,875

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, 2017

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	STONEY 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	-	33,710
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	73,140
Dues & Filing Fees	-	-	-	1,493	191	448	2,132
Employee Benefits & Morale	30	-	48	291	-	2,470	2,839
Employee Recruitment	2	-	-	5,005	-	-	5,007
Equipment Rental	-	-	-	9,770	1,109	6,568	17,447
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	33,628
Legal & Professional	-	-	-	-	67,500	41,783	109,283
Maintenance & Repairs	7,972	-	680	10,928	-	4,010	23,591
Meetings/Seminars	-	-	-	-	1,288	606	1,894
Payroll	224,358	53,636	20,148	828,481	110,181	104,101	1,340,905
Permits & Fees	345	-	62	575	110	121	1,213
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	13,192
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	11,330
Storage Rental	-	-	-	4,997	-	495	5,492
Supplies	6,908	904	1,260	20,678	6,873	8,591	45,213
Taxes	-	-	-	-	-	9,864	9,864
Teaching Materials	-	-	-	3,721	-	37	3,758
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	-	-	39,002
	<u>\$ 386,607</u>	<u>\$ 66,138</u>	<u>\$ 89,464</u>	<u>\$ 1,433,061</u>	<u>\$ 290,906</u>	<u>\$ 272,742</u>	<u>\$ 2,538,918</u>

See independent auditors' report and notes to financial statements

**THE VILLAGE LEARNING CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING DECEMBER 31, 2016**

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	STONE GLEN	EMPLOYMENT ADVANTAGE	THRIFT STORE	CENTER	FUNDRAISING	MANAGEMENT AND GENERAL	
Advertising	\$ 3,506	\$ -	\$ 622	\$ -	\$ 2,790	\$ -	\$ 6,919
Association Fees	393	-	-	181	934	6,034	7,542
Auto Expenses	-	-	84	37,465	61	-	37,610
Bank Service Charges	-	-	-	-	9,497	6,893	16,389
Cleaning	4,809	-	29	11,504	-	-	16,342
Computer Software	-	-	-	1,018	5,612	7,907	14,536
Contract Labor & Services	7,698	688	-	13,431	46,312	688	68,818
Dues & Filing Fees	-	-	-	1,040	133	312	1,485
Employee Benefits & Morale	172	-	277	1,668	-	14,168	16,285
Employee Recruitment	2	-	-	4,740	-	(138)	4,603
Equipment Rental	-	-	-	9,144	1,038	6,147	16,328
Field Trips/Outings	11,409	-	-	4,582	17	-	16,008
Groceries & Food	17,547	-	-	13,231	-	311	31,089
Insurance	8,498	6,548	-	122,464	-	26,192	163,702
Interest Expense	26,720	-	-	11,336	-	2,864	40,921
Legal & Professional	-	-	-	-	5,293	75,469	80,762
Maintenance & Repairs	11,542	-	984	15,822	-	5,806	34,155
Meetings/Seminars	-	-	-	-	635	299	934
Payroll	223,726	53,485	20,091	699,681	126,203	213,940	1,337,126
Permits & Fees	547	-	98	912	174	192	1,924
Postage & Delivery	-	-	-	717	3,452	1,873	6,042
Printing	-	-	-	-	12,195	-	12,195
Professional Training/Networking	73	804	-	950	-	5,479	7,305
Rent	-	-	54,622	-	-	-	54,622
Security	883	-	-	2,271	-	-	3,154
Special Events	-	-	-	-	89,845	-	89,845
Staff Training	1,396	493	-	4,827	449	2,687	9,851
Storage Rental	-	-	-	3,678	-	364	4,042
Supplies	8,626	1,129	1,573	25,820	8,582	10,727	56,457
Taxes	-	-	-	-	-	16,950	16,950
Teaching Materials	-	-	-	903	-	9	913
Travel & Entertainment	42	2,850	78	-	4,210	1,169	8,349
Utilities	18,869	1,036	4,690	55,210	-	23,838	103,643
Depreciation Expense	75,139	-	-	259,572	-	6,831	341,542
Website	-	-	953	-	-	-	953
Other	-	-	1,595	42,794	-	-	44,390
	<u>\$ 421,597</u>	<u>\$ 67,033</u>	<u>\$ 85,698</u>	<u>\$ 1,344,959</u>	<u>\$ 317,433</u>	<u>\$ 437,012</u>	<u>\$ 2,673,732</u>

See independent auditors' report and notes to financial statements

THE VILLAGE LEARNING CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDING DECEMBER 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (57,078)	\$ (212,333)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	293,079	321,841
(Increase) decrease in operating assets		
Accounts receivable	(15,974)	27,120
Pledges receivable	22,325	(19,760)
Security deposit	-	-
Due from B Wells	150	-
Due from Village at Hickory Glen	6,000	45,484
Prepays	8,417	29,240
Increase (decrease) in operating liabilities		
Tenant deposits	-	2,000
Accounts payable	(85,716)	(67,549)
Accrued payroll	1,509	343
Other current liabilities	(45,985)	4,442
NET CASH PROVIDED BY OPERATING ACTIVITIES	126,727	130,828
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for fixed asset purchases	278,617	(50,312)
NET CASH USED BY INVESTING ACTIVITIES	278,617	(50,312)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on equipment lease obligations	-	-
Payments on short term notes payables	(3,123)	(42,150)
Proceeds from short term bank loans	(25,482)	45,801
Payments on long term debt	(282,659)	(60,093)
NET CASH PROVIDED BY FINANCING ACTIVITIES	(311,264)	(56,442)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	94,080	24,074
BEGINNING CASH AND CASH EQUIVALENTS	50,636	26,561
ENDING CASH AND CASH EQUIVALENTS	\$ 144,716	\$ 50,636
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 33,629	\$ 40,921

See independent auditors' report and notes to financial statements

NOTES TO FINANCIAL STATEMENTS

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 1-NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Village Learning Center, Inc. (the Organization), dba The Village Learning and 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 unrestricted support. 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, 2017 and 2016, the Organization recorded approximately \$5,000 and \$14,100 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, 2017 and 2016

**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. For the year ended December 31, 2017 & 2016, no accounts receivable were written off as uncollectible.

Advertising Costs

Advertising costs are expensed as incurred.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

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

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of both December 31, 2017 and December 31, 2016 all net assets are unrestricted.

Reclassification Adjustments

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

Subsequent Events

Subsequent events have been evaluated through August 10, 2018, which is the date the financial statements were issued.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 2-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 unrestricted contributions 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 temporarily restricted net assets to unrestricted net assets 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

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 3-LONG-TERM DEBT

Long-term debt at December 31, 2017 consists of the following:

Mortgage note payable to Wells Fargo Bank in monthly installments of \$6,148.27 including interest at 4.82% which may be adjusted every 5 years through July of 2025. Collateralized by real estate known as 2225 Stoney Glen and 3819 Plum Valley Drive	\$	309,332
Installment loan payable to Wells Fargo Bank, in monthly payments of \$2,665.39 including interest at 4.65% through August 18, 2017. Collateralized by real estate known as 2225 Stoney Glen and 3819 Plum Valley Drive		77,310
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		29,572
		<hr/>
Total long-term debt		416,214
Less current portion		(148,956)
Long-term liabilities	\$	<hr/> <hr/> 267,258

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

<u>Year</u>	<u>Balance Due</u>
2018	\$ 148,956
2019	83,133
2020	77,733
2021	73,931
2022 and thereafter	32,461
Total	<hr/> <hr/> \$ 416,214

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE 4-RELATED PARTY TRANSACTIONS

Village at Hickory Glen (“VAHG”) is a separate entity, with separate governance from Village Learning and Achievement Center. VAHG was formed for the purpose of constructing and administering low-income housing under Section 811 of the U.S. Department of Housing and Urban Development (“HUD”). Funding for this purpose is provided to VAHG by HUD. During 2017, the Organization did not pay any expenditures on behalf of VAHG. During 2016, the Organization paid some expenditures on behalf of VAHG, to be reimbursed once funding from HUD was secured by VAHG. Any unreimbursed expenditures by the Organization on behalf of VAHG are reflected in the statement of functional expenses as a component of capital expenditures.

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.