

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

AUDITED FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
DECEMBER 31, 2022 and 2021**

**THE VILLAGE LEARNING CENTER, INC.
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of The Village Learning Center, Inc. dba Village Learning & Achievement Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Village Learning Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Village Learning Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Village Learning Center, Inc's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Village Learning Center, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Houston, Texas
June xx, 2024

FINANCIAL STATEMENTS

THE VILLAGE LEARNING CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
For the Years Ending December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Unrestricted cash and cash equivalents	\$ 932,282	\$ 554,170
Pledges receivable	18,223	24,090
Accounts receivable	533,123	489,091
Less: Allowance for doubtful accounts	<u>(43,187)</u>	<u>(29,737)</u>
Net accounts receivable	489,936	459,354
Prepaid expenses	<u>24,915</u>	<u>8,163</u>
Total Current Assets	1,465,356	1,045,777
FIXED ASSETS		
Land	626,935	626,935
Computers and equipment	310,585	287,108
Vehicles	390,438	384,588
Software	9,745	9,745
Building improvements	628,109	606,346
Buildings	5,411,198	5,411,198
Total Fixed Assets	7,377,010	7,325,920
Less: Accumulated depreciation	<u>(3,180,074)</u>	<u>(2,910,147)</u>
Fixed Assets, Net	4,196,936	4,415,773
OTHER ASSETS		
Long-term receivable	<u>-</u>	<u>5,000</u>
Total Other Assets	<u>-</u>	<u>5,000</u>
TOTAL ASSETS	<u>\$ 5,662,293</u>	<u>\$ 5,466,550</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 172,501	\$ 115,093
Tenant deposits	2,000	-
Accrued payroll	22,422	8,373
Other current liabilities	39,018	24,742
Current portion of long-term debt	<u>8,652</u>	<u>8,652</u>
Total Current Liabilities	244,593	156,860
NON CURRENT LIABILITIES		
Long-term debt	6,489	15,141
SBA Loan	<u>300,000</u>	<u>-</u>
Total Non Current Liabilities	306,489	15,141
TOTAL LIABILITIES	551,082	172,001
NET ASSETS		
Without Donor Restrictions	4,997,139	5,170,477
With Donor Restrictions	<u>114,072</u>	<u>124,072</u>
Total Net Assets	<u>5,111,211</u>	<u>5,294,549</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,662,293</u>	<u>\$ 5,466,550</u>

See independent auditors' report and notes to financial statements

THE VILLAGE LEARNING CENTER, INC.
STATEMENTS OF ACTIVITIES
For the Years Ending December 31, 2022 and 2021

	2022	2021
Net Assets Without Donor Restrictions		
Revenue and Gains		
Center income	\$ 461,562	\$ 416,618
Stoney Glen income	385,765	295,232
HCS income	2,039,209	1,336,938
Thrift Store income	280,056	218,605
Development Program - Grants and Donatons	674,404	1,211,950
Fundraising income	575,865	552,441
Less: direct donor benefits	(62,296)	(80,726)
Gain on extinguishment of debt	-	301,108
Total Revenues and Gains Without Donor Restrictions	4,354,565	4,252,166
Net assets released from restrictions		
Restrictions satisfied by payments	210,000	326,088
Total Revenues and Gains and Other Support Without Donor Restrictions	4,564,565	4,578,254
 EXPENSES		
General and administrative	449,847	439,797
Program expenses		
Stoney Glen	871,476	829,013
HCS	1,250,583	1,094,866
Thrift Store	255,166	223,975
Center	1,615,077	1,545,656
Fundraising and special events expenses	295,754	267,507
Total Expenses	4,737,903	4,400,814
 INCREASE (DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(173,338)	177,440
 Net Assets With Donor Restrictions		
Revenue and Gains		
Restricted grants for specific purpose	200,000	-
Net Assets Released from Restriction		
Restriction satisfied by payments	(210,000)	(326,088)
INCREASE IN NET ASSETS WITH DONOR	(10,000)	(326,088)
 INCREASE (DECREASE) IN NET ASSETS	(183,338)	(148,648)
 NET ASSETS, BEGINNING OF YEAR	5,294,549	5,443,197
 NET ASSETS AT END OF YEAR	\$ 5,111,211	\$ 5,294,549

See independent auditors' report and notes to financial statements

THE VILLAGE LEARNING CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING DECEMBER 31, 2022

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	STONEY GLEN	HCS	THRIFT STORE	CENTER	FUNDRAISING	MANAGEMENT AND GENERAL	
Advertising	\$ -	\$ -	\$ 530	\$ -	\$ 575	\$ -	\$ 1,105
Auto Expenses	629	-	-	20,334	-	-	20,963
Bad Debt Expense	11,677	-	-	6,033	1,752	-	19,462
Bank Service Charges	-	-	4,469	721	4,036	5,190	14,416
Computer Software	2,193	1,566	626	12,530	8,457	5,952	31,324
Contract Labor & Services	24,572	1,019,748	36,858	86,003	36,858	24,572	1,228,612
Dues & Filing Fees	4,165	-	-	2,380	1,587	1,785	9,916
Employee Benefits & Morale	1,921	84	-	1,002	167	5,177	8,350
Employee Recruitment	13	1	-	17	1	26	57
Equipment Rental	2,360	708	-	5,310	236	3,186	11,801
Field Trips/Outings	-	-	-	-	-	7,540	7,540
Groceries & Food	57,103	-	-	18,033	-	-	75,136
Insurance	11,475	-	-	96,392	-	121,638	229,505
Interest Expense	983	-	-	787	-	8,062	9,832
Legal & Professional	-	590	-	13,569	-	44,837	58,996
Maintenance & Repairs	19,643	-	-	29,465	-	16,369	65,477
Meetings/Seminars	-	-	60	60	-	-	120
Payroll	618,140	179,689	97,713	963,988	192,974	104,538	2,157,042
Permits & Fees	-	-	-	-	-	279	279
Postage & Delivery	55	-	-	-	1,540	-	1,595
Printing	-	-	-	-	-	-	-
Professional Training/Networking	-	-	-	-	21,228	-	21,228
Rent	-	-	95,027	10,394	-	43,059	148,480
Staff Training	-	-	-	-	-	-	-
Supplies	9,027	2,462	9,027	34,467	9,027	18,054	82,064
Taxes	-	-	-	-	-	-	-
Utilities	41,367	10,791	10,791	80,936	10,791	25,180	179,857
Depreciation Expense	59,384	-	-	205,145	-	5,398	269,927
Other	6,768	34,944	63	27,514	6,524	9,005	84,819
	<u>\$ 871,476</u>	<u>\$ 1,250,583</u>	<u>\$ 255,166</u>	<u>\$ 1,615,077</u>	<u>\$ 295,754</u>	<u>\$ 449,847</u>	<u>\$ 4,737,903</u>

See independent auditors' report and notes to financial statements

THE VILLAGE LEARNING CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR YEAR ENDING DECEMBER 31, 2021

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTAL
	STONEY GLEN	HCS	THRIFT STORE	CENTER	FUNDRAISING	MANAGEMENT AND GENERAL	
Advertising	\$ -	\$ -	\$ 1,732	\$ -	\$ 1,876	\$ -	\$ 3,608
Auto Expenses	385	-	-	12,445	-	-	12,830
Bad Debt Expense	20,689	-	-	10,689	3,103	-	34,482
Bank Service Charges	-	-	3,339	539	3,016	3,878	10,772
Computer Software	1,951	1,394	558	11,150	7,526	5,296	27,875
Contract Labor & Services	21,016	872,162	31,524	73,556	31,524	21,016	1,050,797
Dues & Filing Fees	2,617	-	-	1,495	997	1,122	6,231
Employee Benefits & Morale	1,105	48	-	576	96	2,978	4,804
Employee Recruitment	-	-	-	-	-	-	-
Equipment Rental	3,040	912	-	6,840	304	4,104	15,200
Field Trips/Outings	-	-	-	-	-	-	-
Groceries & Food	42,672	-	-	13,475	-	-	56,147
Insurance	10,901	-	-	91,571	-	115,553	218,025
Interest Expense	606	-	-	485	-	4,972	6,064
Legal & Professional	-	625	-	14,377	-	47,506	62,508
Maintenance & Repairs	19,183	-	-	28,775	-	15,986	63,944
Meetings/Seminars	-	-	82	82	-	-	164
Payroll	590,047	171,522	93,272	920,176	184,204	99,787	2,059,008
Permits & Fees	-	-	-	-	-	149	149
Postage & Delivery	79	-	-	-	2,218	-	2,297
Printing	-	-	-	-	4,757	839	5,596
Professional Training/Networking	-	-	-	-	1,361	-	1,361
Rent	-	-	73,467	8,035	-	33,290	114,792
Staff Training	278	191	-	1,025	-	243	1,738
Supplies	9,909	2,702	9,909	37,833	9,909	19,817	90,079
Taxes	-	-	-	4,834	-	25,380	30,214
Utilities	38,446	10,029	10,029	75,220	10,029	23,402	167,156
Depreciation Expense	59,254	-	-	204,696	-	5,386	269,337
Other	6,833	35,281	64	27,780	6,587	9,091	85,637
	<u>\$ 829,013</u>	<u>\$ 1,094,866</u>	<u>\$ 223,975</u>	<u>\$ 1,545,656</u>	<u>\$ 267,507</u>	<u>\$ 439,797</u>	<u>\$ 4,400,814</u>

See independent auditors' report and notes to financial statements

THE VILLAGE LEARNING CENTER, INC.
STATEMENTS OF CASH FLOWS
FOR YEARS ENDING DECEMBER 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (183,338)	\$ (148,648)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	269,927	269,337
(Increase) decrease in operating assets		
Accounts receivable, net	(30,582)	(330,677)
Pledges receivable	5,867	503,426
Long-term receivable	5,000	155,000
Prepays	(16,752)	13,129
Increase (decrease) in operating liabilities		
Tenant deposits	2,000	-
Accounts payable	57,408	(54,823)
Accrued payroll	14,049	1,461
Other current liabilities	14,275	1,073
NET CASH PROVIDED BY OPERATING ACTIVITIES	137,854	409,278
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for fixed asset purchases	(51,090)	(68,497)
NET CASH USED BY INVESTING ACTIVITIES	(51,090)	(68,497)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on short term bank loans	-	(175,762)
Proceeds on long term debt	300,000	-
Payments on long term debt	(8,652)	(8,652)
NET CASH PROVIDED BY FINANCING ACTIVITIES	291,348	(184,414)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	378,112	156,367
BEGINNING CASH AND CASH EQUIVALENTS	554,170	397,803
ENDING CASH AND CASH EQUIVALENTS	\$ 932,282	\$ 554,170
SUPPLEMENTAL DISCLOSURE		
Cash paid for interest	\$ 9,832	\$ 6,064
Cash paid for income tax	\$ -	\$ -
Noncash donations of fixed assets	\$ -	\$ -

See independent auditors' report and notes to financial statements

NOTES TO FINANCIAL STATEMENTS

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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.

The Village Centers provides services to adults with intellectual and developmental disabilities. We offer a board spectrum of services to meet the needs of families and the loved ones they care for.

The day program provides activities and community opportunities to these individuals to give them a fulfilling life within safe environment. Our structured program consists of social skills, vocational opportunities, skills for daily living and recreational activities. We offer transportation to our clients to and from the day center which is a much-needed service for some of our families.

The Village at Stoney Glen (VASG) is a licensed assisted living home. VASG is a 16-bed facility in which residents are cared for 24 hours a day. These are individuals whose families want them to be able to have independence while at the same time receiving the care and safety that our staff provides for them.

Home and Community Services (HCS) is a state funding source that some of our clients receive. Once this funding is awarded to an individual with disabilities the families choose a provider to facilitate the services that is granted within this program. The Village Centers HCS Village Community Services provides case management, nursing and family support to the individuals that are part of our in house HCS program.

The Village Thrift store is a retail shop within the community of Kingwood that customers can donate and shop at to support our programs. The thrift store also provides volunteer and job opportunities to our clients. They participate in a variety of real-life skills in helping sort/price items, greet customers and running the cash register.

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 VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

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 years ended December 31, 2022 and 2021, the Organization recorded approximately \$0 and \$0 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 Organization recorded donated fixed assets of \$0 and \$0 respectively, on the statement of financial position and corresponding revenues on the statement of activities during the year-ended December 31, 2022 and 2021.

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.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

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, 2022 & 2021 was \$43,187 and \$29,737, respectively. For the years ended December 31, 2022 & 2021, accounts receivable worth \$19,462 and \$34,482, respectively, were written off as uncollectible.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2022 and 2021 were \$1,105, and \$3,608, respectively.

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.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

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. The Organization has both, net assets with donor restrictions and without donor restrictions.

Leases

The Organization leases certain program facilities, program houses, and copiers. The determination of whether an arrangement is a lease is made at the lease's inception. Under ASC Topic 842 Leases, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Leases with an initial term of 12 months or less for all classes of underlying assets are not recorded on the statement of financial position, rather, expensed as incurred. Operating leases, when applicable, are included as Operating lease right-of-use ("ROU") assets, and Operating lease right-of-use liabilities in our statement of financial position.

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses a practical expedient that allows the Organization to use the risk-free rate to determine the present value of lease payments based on the information available at lease commencement.

The Organization has elected to use this risk-free rate as the discount rate for all underlying classes of assets. Operating lease ROU assets also include any lease payments made and exclude any lease incentives. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization's lease terms may include options to extend the lease when it is reasonably certain that we will exercise the option.

The Organization has lease agreements with lease and non-lease components, which are accounted for separately for all classes of underlying assets, with amounts allocated to the lease and non-lease components based on stand-alone prices.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

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

Adoption of Accounting Standard Update ASU No. 2016-02 Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which supersedes existing guidance for accounting for leases under Topic 840, Leases. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU 2018-10, Codification Improvements to Topic 842, Leases; ASU 2018-11, Leases (Topic 842): Targeted Improvements; ASU 2018-20, Narrow-scope Improvements for Lessors; and ASU 2019-01, Leases (Topic 842): Codification Improvements. The most significant change in the new leasing guidance is the requirement to recognize right-of-use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt these ASUs effective January 1, 2022. The Organization has elected the following practical expedients as a package that allow it to (1) not reassess whether any expired or existing contracts are or contain leases; (2) not reassess the lease classification for any existing or expired leases, (3) not reassess initial direct costs for any existing leases.

The adoption had no impact on the Organization's statement of financial position and did not have a material impact on the statement of activities. See Note 8 for more information. The Organization adopted these principles on a modified retrospective basis. Under this approach, the Organization has elected to apply this lease standard only to the most recent period without restating prior periods presented, with the cumulative impact reported in net assets. The adoption did not result in a change to beginning net assets.

NOTE 2-FIXED ASSETS

It is the Organization's policy to capitalize property and equipment over \$5,000. 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:

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 2-FIXED ASSETS (CONTINUED)

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

For the years ended December 31, 2022 and 2021, depreciation expense amounted to \$269,927 and \$269,337, respectively.

NOTE 3-LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, 2022, and 2021, reduced by amounts not available for general use because of donor-imposed restrictions for specific purposes:

	<u>2022</u>	<u>2021</u>
Financial assets, at year-end:		
Unrestricted cash and cash equivalents	\$ 932,282	\$ 554,170
Pledges receivable	18,223	24,090
Net accounts receivable	489,936	459,354
Less: Board-designated funds:		
Emergency (rainy day) funds	-	-
Less: Donor-restricted funds:		
Restricted funds for a specific purpose	<u>(114,072)</u>	<u>(124,072)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$1,326,369</u>	<u>\$ 913,542</u>

Additionally, the Organization has a line of credit of \$250,000, with available (unborrowed) funds of \$250,000 as of December 31, 2022, which it could draw upon in the event of an anticipated liquidity need.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 4-LONG-TERM DEBT

Long-term debt at December 31, 2022 consists of the following:

Installment loan payable to Advanced Vending Consultants, Inc., in monthly payments of \$991 including monthly interest \$270 and principal payments of \$721 through September 2024.

	<u>\$ 15,141</u>
Total long-term debt	15,141
Less current portion	<u>(8,652)</u>
Long-term liabilities	<u>\$ 6,489</u>

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

<u>Year</u>	<u>Balance Due</u>
2023	8,652
2024	6,489
2025	-
2026	-
2027 and thereafter	-
Total	<u>\$ 15,141</u>

Interest expense for the years ended December 31, 2022 and 2021 were \$9,832 and \$6,064, respectively.

NOTE 5-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.

NOTE 6-NET ASSETS WITH DONOR RESTRICTIONS

The Organization received \$200,000 donor restricted funds during the year-ended December 31, 2022. The Organization did not receive any donor restricted funds in 2021. The Organization received donor restricted funds in the amount of \$110,000 during the year-ended December 31, 2020 and carry a purpose restriction. These restricted funds are to be used towards providing medical services. The Organization also received two pledges in the amount of \$500,000 and \$200,000 during the year-ended December 31, 2020 and carry a purpose restriction. These restricted funds are to be used towards providing pre-vocational and vocational training/supporting employment services.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 6-NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

A summary of net assets with donor restrictions for the years ended December 31, 2022, and 2021 is as follows:

Net assets with donor restrictions:

	<u>2022</u>	<u>2021</u>
Stoney Glen facilities upgrade	\$ 14,072	\$ 14,072
Medical services	100,000	110,000
Net assets with donor restrictions	<u>\$ 114,072</u>	<u>\$ 124,072</u>

NOTE 7-COVID-19 RISKS AND PAYCHECK PROTECTION PROGRAM

2021

The Organization received a loan in the amount of \$301,108 on May 17, 2021, pursuant to the Paycheck Protection Program (“the PPP”) under Division A, Title I, of the CARES Act, which was enacted March 27, 2020.

As of November 12, 2021, the Organization was granted forgiveness of the entire loan amount and related interest payments. Accordingly, as of December 31, 2021, this loan has been recorded as a gain on extinguishment of debt. This gain on extinguishment is included in revenues from net assets without donor restrictions on the statement of activities. The proceeds of this loan have been presented as cash flows from operating activities on the statement of cash flows.

2022

On April 15, 2022, the Organization executed a secured loan with the U.S. Small Business Administration (SBA) under the Economic Injury Disaster Loan program in the amount of \$300,000. The loan is secured by all tangible and intangible assets of the Organization and payable over 30 years at an interest rate of 2.75% per annum. Initially, the monthly payments were scheduled to start on 12 months from the date of note, however, on March 16, 2021, the SBA released updated guidance which extended the first payment due to 24 months from the date of the note. The Organization’s installment payments will begin 24 months from April 15, 2022, including principal and interest, of \$1,347 monthly with the loan maturing on April 15, 2052. Accordingly, as of December 31, 2022, the entire balance on this SBA loan amounting to \$300,000 has been presented on a long-term liability.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 8-LEASING ARRANGEMENTS

The Organization leases its program facility space at 25428 & 25432 Loop 494, Porter, Texas with monthly payments of \$4,500. This lease initially commenced on September 1, 2017, with an expiration date of August 31, 2022. As of January 4, 2022, the Organization amended this lease effective January 1, 2022, as a result of expanding their premises by 1,500 additional square feet. The amended lease term commences January 1, 2022, with an expiration date of December 31, 2022. Monthly rent payments are \$6,000. Since this amended lease has a lease term of 1 year or less, the Organization has expensed these amounts as incurred.

The Organization also leases a program facility space at 3946 Glade Valley Drive, Kingwood, Texas with monthly payments of \$2,000. This lease initially commenced on December 10, 2019, with an expiration date of December 31, 2020. Upon expiration, this lease will renew automatically for an additional twelve months per renewal term. The Organization does not have any variable or non-lease components for these leases. Since these renewal periods have a lease term of 1 year or less, the Organization has expensed these amounts as incurred.

The Organization leases another program house at 25042 Rising Hills Ct, Porter, Texas with monthly payments of \$1,900. This lease commenced on January 15, 2021, with expiration date of January 31, 2022. Upon expiration, this lease will automatically renew on a month-to-month basis. Since this lease is on a month-to-month basis, the Organization has expensed these amounts as incurred.

The Organization also leases another program house at 3302 Skylark Valley Trace, Porter, Texas with monthly payments of \$1,900. The primary term of this lease commenced on November 15, 2021. As of January 1, 2022, the Organization renewed this lease for a 1-year period expiring on December 31, 2022 with the same monthly payment of \$1,900. Since this amended lease has a lease term of 1 year or less, the Organization has expensed these amounts as incurred.

The Organization has elected to apply the short-term lease exception as disclosed in Note 1, and as such, the Organization does not have any operating right-of-use asset or liability as of December 31, 2022.

As of December 31, 2022, the Organization had short-term expense amounting to \$141,600, and variable lease expense amounting to \$6,880.

In addition to the short-term leases, the Organization has incurred lease expenses for copiers and vehicles amounting to \$15,929 and \$11,038, respectively. The Organization has elected to expense the leases for copiers and vehicles as incurred, given that the value of these individual leases is considered immaterial to the statement of financial position.

THE VILLAGE LEARNING CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2022 and 2021

NOTE 9-SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 05, 2024, which is the date the financial statements were issued.

Program facility space at 25428 & 25432 Loop 494, Porter, Texas had an addendum with twelve-month lease term commencing January 1, 2023 with the same monthly rent of \$6,000. The program facility had another lease addendum with twelve-month term commencing January 1, 2024, with the same monthly rent of \$6,000.

Program house space at 25042 Rising Hills Ct, Porter, Texas had an addendum with twelve-month lease term commencing January 1, 2023 with the same monthly rent of \$1,900.

Program house space at 3302 Skylark Valley Trace, Porter, Texas had an addendum with twelve-month lease term commencing January 1, 2023 with the same monthly rent of \$1,900. The program house space had another addendum with twelve-month lease term commencing January 1, 2024 with the same monthly rent of \$1,900.