GROWING TOGETHER PRESCHOOL, INC.
Lexington, Kentucky

FINANCIAL STATEMENTS
December 31, 2017 and 2016

CONTENTS

RFH
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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Growing Together Preschool, Inc.
Lexington, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of Growing Together Preschool, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Growing Together Preschool, 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 accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of operating expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2019, on our consideration of Growing Together Preschool, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Growing Together Preschool, Inc.'s internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
July 2, 2019

GROWING TOGETHER PRESCHOOL, INC.
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS	**2017**	**2016**
Current assets		
Cash	$ -	$ 62,071
Accounts receivable		
Tuition	7,174	29,823
Government programs	15,603	25,593
Reserve for uncollectible	(1,246)	(14,911)
Total accounts receivable	21,531	40,505
Total current assets	21,531	102,576
Noncurrent assets		
Loan costs, net	880	1,120
Property and equipment, net	410,761	414,343
Total noncurrent assets	411,641	415,463
TOTAL ASSETS	$ 433,172	$ 518,039
LIABILITIES		
Current liabilities		
Cash overdraft	$ 19,720	$ -
Accounts payable	18,750	46,248
Accrued liabilities	18,119	38,152
Accrued interest payable	529	-
Credit card payable	1,205	2,671
Deferred revenue	3,805	1,815
Current portion of long-term debt	37,547	31,306
Current portion of line of credit	10,000	10,000
Total current liabilities	109,675	130,192
Long-term liabilities		
Long-term debt	230,789	261,721
Line of credit	14,988	-
Total long-term liabilities	245,777	261,721
TOTAL LIABILITIES	355,452	391,913
NET ASSETS		
Unrestricted	77,720	126,126
TOTAL NET ASSETS	77,720	126,126
TOTAL LIABILITIES AND NET ASSETS	$ 433,172	$ 518,039

The accompanying notes are an integral
part of the financial statements.

GROWING TOGETHER PRESCHOOL, INC.
STATEMENTS OF ACTIVITIES
for the years ended December 31,

	2017	2016
UNRESTRICTED SUPPORT AND REVENUE		
Public support		
Contributions	$ 7,106	$ 22,702
Fundraising	8,309	11,828
Allocation from United Way	55,852	72,536
Fees from governmental agencies	164,991	203,057
Federal food program	46,121	46,117
Total public support	282,379	356,240
Program revenues		
Tuition	1,030,852	937,160
Miscellaneous	3,074	4,604
Total program revenue	1,033,926	941,764
TOTAL UNRESTRICTED SUPPORT AND REVENUE	1,316,305	1,298,004
EXPENSES		
Program expenses	1,083,675	1,036,836
General administration	244,554	255,427
Depreciation	36,482	35,552
Total expenses	1,364,711	1,327,816
Change in unrestricted net assets	(48,406)	(29,812)
Net assets, beginning of year	126,126	155,938
NET ASSETS, END OF THE YEAR	$ 77,720	$ 126,126

The accompanying notes are an integral part of the financial statements.

GROWING TOGETHER PRESCHOOL, INC.
STATEMENTS OF CASH FLOWS
for the years ended December 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (48,406)	$ (29,812)
Adjustments to reconcile change in unrestricted net assets		
Depreciation and amortization expense	36,482	35,552
(Increase) decrease in noncurrent assets	240	(981)
(Increase) decrease in accounts receivable	18,974	3,559
Increase (decrease) in accounts payable	(27,498)	37,573
Increase (decrease) in accrued interest payable	529	-
Increase (decrease) in payroll liabilities	(20,033)	40
Increase (decrease) in credit card payable	(1,466)	2,671
Increase (decrease) in deferred revenue	1,990	1,285
Net cash provided by (used in) operating activities	(39,188)	49,887
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(32,900)	(40,610)
Net cash (used in) investing activities	(32,900)	(40,610)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds (payments) from line of credit	14,988	(39,549)
Proceeds from mortgage	-	300,847
Principal payments on long-term debt	(24,691)	(200,846)
Net cash provided by (used in) financing activities	(9,703)	60,452
NET INCREASE (DECREASE) IN CASH	(81,791)	69,729
Cash, beginning of year	62,071	(7,658)
CASH, END OF YEAR	$ (19,720)	$ 62,071
Supplemental disclosures:		
Interest paid	$ 12,363	$ 19,811

The accompanying notes are an integral
part of the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Growing Together Preschool, Inc. (the School) is a non-profit corporation organized to provide preschool and day care services for children, including handicapped and underprivileged children. The school receives third-party reimbursements from the State of Kentucky to pay the tuition for these children. These reimbursements represent approximately 21% and 26% of the tuition collected for the years ended December 31, 2017 and 2016, respectively.

The financial statements of Growing Together Preschool, Inc. have been prepared on the accrual basis of accounting. The following significant accounting policies are described to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The School 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.

The School is required to report its investments at fair market value. Gains and losses on investments are reported as changes in unrestricted net assets unless a donor's explicit stipulation or law extends a donor's endowment restriction to the income from the gift. The school had no investments under its control at December 31, 2017 or 2016.

Contributions

The School 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. 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.

The School reports gifts of land, building, 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.

Contributions of donated noncash assets are recorded at their fair values in the period received.

Contributions of donated services that create or enhance nonfinancial assets, or which require specialized skills and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Unrestricted Net Assets

These assets generally result from revenues generated by providing services, receiving unrestricted contributions and receiving dividends and interest in income-producing assets, less expenses incurred in providing services, raising contributions and performing administrative functions. The only limits on unrestricted nets assets are the broad limits resulting from the nature of the organization, the environment in which it operates, and the purposes specified in its articles of incorporation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Temporarily Restricted Net Assets

These assets result from receiving contributions that may be expended only for specific purposes or in specific future periods. The School had no temporarily restricted net assets at December 31, 2017 or 2016.

Permanently Restricted Net Assets

These assets represent funds that are permanently restricted by the donor with income and appreciation available to support the general operations of the School. The School had no permanently restricted net assets at December 31, 2017 or 2016.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks, funds in overnight repurchase agreements, and all highly liquid investments with an initial maturity of three months or less at the time of purchase.

Property, Equipment and Depreciation

Depreciation of buildings and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Buildings are depreciated over 40 years and equipment and other assets are depreciated over 5-10 years. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Deferred Revenue

The School defines deferred revenue as tuition fees received in advance of the performed services.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

The School expenses advertising costs as they are incurred. Advertising expense for the years ended December 31, 2017 and 2016, totaled $8,287 and $6,745, respectively.

Income Taxes

The Growing Together Preschool, Inc. is exempt from federal and Kentucky income taxes under Section 501(c)(3) of the Internal Revenue Code. The School is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management's Review of Subsequent Events

The School has evaluated and considered the need to recognize or disclose subsequent events through July 2, 2019, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended December 31, 2017, have not been evaluated by the School.

2. CASH AND CASH EQUIVALENTS

The School maintains cash deposits in accounts with a federally insured bank in Lexington, Kentucky. The Federal Deposit Insurance Corporation provided insurance coverage up to $250,000. As of December 31, 2017 and 2016, all deposits were fully insured.

3. PROPERTY AND EQUIPMENT

The following is a summary of the changes in property and equipment for 2017 and 2016:

	Balances 12/31/2016	Net Additions/ Disposals	Balances 12/31/2017
Land	$ 98,059	$ -	$ 98,059
Buildings and improvements	743,936	25,250	769,186
Equipment, furniture and fixtures	204,210	7,650	211,860
	1,046,205	32,900	1,079,105
Accumulated depreciation	(631,862)	(36,482)	(668,344)
Net property and equipment	$ 414,343	$ (3,582)	$ 410,761

	Balances 12/31/2015	Net Additions/ Disposals	Balances 12/31/2016
Land	$ 98,059	$ -	$ 98,059
Buildings and improvements	703,327	40,609	743,936
Equipment, furniture and fixtures	204,210	-	204,210
	1,005,596	40,609	1,046,205
Accumulated depreciation	(596,311)	(35,551)	(631,862)
Net property and equipment	$ 409,285	$ 5,058	$ 414,343

4. LONG-TERM DEBT

The School has a mortgage on the school building at 599 Lima Drive, Lexington, Kentucky. Chase Bank in Lexington, Kentucky holds this mortgage. On August 11, 2016, the School refinanced the mortgage to be repaid over a term of 60 months. The proceeds of the refinance paid off the prior mortgage note as well as the balance of the lines of credit that the School had outstanding. The mortgage requires monthly payments of $3,129, with a lump sum amount due upon maturity of the note on August 15, 2021. The note bears interest at a rate of 3.43% per annum above the Treasury Securities Rate (the "Index").

The debt service requirements, including the payments are as follows:

Year	Principal	Interest	Total
2018	$ 26,004	$ 11,543	$ 37,547
2019	27,199	10,348	37,547
2020	28,448	9,099	37,547
2021	186,049	5,344	191,393
Total	$ 267,700	$ 36,334	$ 304,034

The changes in debt during 2017 and 2016 are as follows:

	Dec 31, 2016	Additions	Retirements	Dec 31, 2017	Current Portion
Mortgage	$ 293,027	$ -	$ (24,691)	$ 268,336	$ 37,547
Lines of credit	10,000	14,988	-	24,988	10,000
Total	$ 303,027	$ 14,988	$ (24,691)	$ 293,324	$ 47,547

	Dec 31, 2015	Additions	Retirements	Dec 31, 2016	Current Portion
Mortgage	$ 193,026	$ 300,847	$ (200,846)	$ 293,027	$ 31,306
Lines of credit	24,549	10,000	(24,549)	10,000	10,000
Total	$ 217,575	$ 310,847	$ (225,395)	$ 303,027	$ 41,306

5. OPERATING LEASE COMMITMENTS

On November 10, 2015, the School entered into an agreement to lease a copier from Konica Minolta Premier Finance. The operating lease calls for 60 monthly payments of $657 through January 2021. The remaining lease payments are as follows:

Year	Payments
2018	$ 7,884
2019	7,884
2020	7,884
Total	$ 23,652

6. LINES OF CREDIT

The School maintains a line of credit with Chase Bank to provide short-term financing during cash flow shortages. The line of credit is authorized up to $25,000 and bear interest at a rate of LIBOR plus 3.00%. The balance on the line of credit totaled $24,988 and $10,000 as of December 31, 2017 and 2016, respectively.

7. FUNDRAISING ACTIVITIES

Fundraising expense incurred for the years ended December 31, 2017 and 2016, totaled $0 and $0, respectively. Fundraising revenue for the years ended December 31, 2017 and 2016, totaled $8,309 and $11,828, respectively.

8. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the School also carries commercial insurance for all other risks of loss such as worker's compensation and accident insurance.

9. ENDOWMENT

During 2014, the School received an endowment from Blue Grass Community Foundation, Inc. (the Foundation). The Foundation maintains complete control of the endowment. As a result, the School does not recognize any activity related to this endowment unless the Foundation releases a portion of the funds to the School. The endowment had balances of $11,175 and $9,723, for the years ended December 31, 2017 and 2016, respectively.

10. SUBSEQUENT EVENTS

For the year ending December 31, 2018, the Organization will be required to implement the Financial Accounting Standards Board of Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities. The ASU changes the net asset classification requirements and modifies the information presented in the financial statements and notes about a not-for-profit entity's liquidly, financial performance and cash flows. The Organization is currently analyzing the impact of its implementation of ASU 2016-14.

SUPPLEMENTARY INFORMATION

GROWING TOGETHER PRESCHOOL, INC.
SCHEDULES OF OPERATING EXPENSES
for the years ended December 31,

	2017	2016
Program Expenses		
Salaries	$ 929,307	$ 892,614
Payroll taxes	78,274	68,393
Food and beverage	76,094	75,829
Total program expense	1,083,675	1,036,836
General Administration		
Salaries	50,000	50,940
Payroll taxes and benefits	3,825	3,825
Professional fees	6,300	6,867
Rehab fees	1,449	9,044
Insurance	20,367	21,819
Utilities	30,381	36,890
Telephone	3,888	5,303
Supplies	45,822	48,536
Maintenance and repairs	18,699	24,428
Advertising fees	8,287	6,745
Interest expense	12,363	19,811
Bad debt expense	19,988	4,276
Other	23,185	16,943
Total general administration	244,554	255,428
Depreciation	36,482	35,552
Total Expenses	$ 1,364,711	$ 1,327,816

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Growing Together Preschool, Inc.
Lexington, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Growing Together Preschool, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 2, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Growing Together Preschool, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Growing Together Preschool, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Growing Together Preschool, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness (2017-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Growing Together Preschool, Inc's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Growing Together Preschool Response to Findings

Growing Together Preschool, Inc's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Growing Together Preschool, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, according, we express no option on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
July 2, 2019

CURRENT YEAR FINDING

2017-001 (Recurring) The Organization should have internal controls in place that enable it to prepare complete financial statements.

Criteria: The Organization is required to have internal controls in place that enable it to prepare complete financial statements, including note disclosures, in compliance with generally accepting accounting principles.

Condition: Management engaged the auditor to draft financial statements, including the related notes to the financial statements.

Cause: The Organization lacked personnel with experience to draft its financial statements including note disclosures in conformity with generally accepted accounting principles.

Effect: The auditor prepared draft financials statements, including the related notes to the financial states. Management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Recommendation: We recommend management to review costs and benefits involved to retain a consultant with the required expertise to prepare the financial statements or review the financial statements as prepared by the auditor for compliance with generally accepted accounting principles.

Management's Response: Management acknowledges its inability to draft the financial statements and the related notes to the financial statements. The Organization lacks the resources to employ someone with the requisite experience to draft the financial statements and the related notes to the financial statements and does not foresee having those resources going forward. The Organization expects to continue to engage the auditor to prepare draft financial statements going forward. The Organization's Board of Directors does have oversight over financial reporting of the Organization, including a licensed CPA currently serving as Treasurer.

PRIOR YEAR FINDING

2016-001 The Organization should have internal controls in place that enable it to prepare complete financial statements.

Status: Recurring