

CENTER FOR DEVELOPMENTAL SERVICES, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

**CENTER FOR DEVELOPMENTAL SERVICES, INC.
GREENVILLE, SOUTH CAROLINA**

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YEARS ENDED DECEMBER 31, 2016 AND 2015

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Greene, Finney & Horton, LLP

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Center for Developmental Services, Inc.
Greenville, South Carolina

We have audited the accompanying financial statements of the Center for Developmental Services, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Center for Developmental Services, Inc. as of December 31, 2016 and 2015, 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.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
Mauldin, South Carolina
February 17, 2017

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**CENTER FOR DEVELOPMENTAL SERVICES, INC.
GREENVILLE, SOUTH CAROLINA**

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

| ASSETS | 2016 | 2015 |
|--|---------------------|---------------------|
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 402,521 | \$ 456,479 |
| Agency Receivables, Net | 132,563 | 109,948 |
| Pledges Receivable, Net | 27,758 | 29,816 |
| Prepaid Expenses | 7,345 | 11,142 |
| Total Current Assets | 570,187 | 607,385 |
| Pledges Receivable - Long-Term | 55,625 | 80,353 |
| Property and Equipment, Net | 1,143,579 | 1,347,463 |
| TOTAL ASSETS | \$ 1,769,391 | \$ 2,035,201 |
| LIABILITIES | | |
| Current Liabilities: | | |
| Accounts Payable and Accrued Expenses | \$ 39,116 | \$ 105,492 |
| Total Current Liabilities | 39,116 | 105,492 |
| TOTAL LIABILITIES | 39,116 | 105,492 |
| NET ASSETS | | |
| Temporarily Restricted | 54,091 | 43,625 |
| Unrestricted - Board Designated for Capital Improvements | 137,329 | 136,329 |
| Unrestricted | 1,538,855 | 1,749,755 |
| TOTAL NET ASSETS | 1,730,275 | 1,929,709 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,769,391 | \$ 2,035,201 |

The notes to the financial statements are an integral part of these financial statements.
See the accompanying independent auditor's report.

**CENTER FOR DEVELOPMENTAL SERVICES, INC.
GREENVILLE, SOUTH CAROLINA**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|----------------------------|-----------------------------------|----------------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Contributions | \$ 371,756 | - | \$ 371,756 |
| Grants | 76,134 | 51,091 | 127,225 |
| Fees | 470,677 | - | 470,677 |
| Donated Services, Material and Space | 122,400 | - | 122,400 |
| Interest | 593 | - | 593 |
| Net Assets Released From Restrictions | 40,625 | (40,625) | - |
| | <u>1,082,185</u> | <u>10,466</u> | <u>1,092,651</u> |
| EXPENSES | | | |
| Program | 1,109,773 | - | 1,109,773 |
| Management and General | 78,670 | - | 78,670 |
| Fundraising | 103,642 | - | 103,642 |
| | <u>1,292,085</u> | <u>-</u> | <u>1,292,085</u> |
| CHANGE IN NET ASSETS | (209,900) | 10,466 | (199,434) |
| NET ASSETS, Beginning of Year | <u>1,886,084</u> | <u>43,625</u> | <u>1,929,709</u> |
| NET ASSETS, End of Year | <u>\$ 1,676,184</u> | <u>54,091</u> | <u>\$ 1,730,275</u> |

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**CENTER FOR DEVELOPMENTAL SERVICES, INC.
GREENVILLE, SOUTH CAROLINA**

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|---------------------------------------|----------------------------|-----------------------------------|----------------------------|
| REVENUE AND OTHER SUPPORT | | | |
| Contributions | \$ 407,554 | - | \$ 407,554 |
| Grants | 233,318 | 54,383 | 287,701 |
| Fees | 532,783 | - | 532,783 |
| Donated Services, Material and Space | 120,000 | - | 120,000 |
| Interest | 632 | 2 | 634 |
| Net Assets Released From Restrictions | 140,168 | (140,168) | - |
| | <u>1,434,455</u> | <u>(85,783)</u> | <u>1,348,672</u> |
| EXPENSES | | | |
| Program | 1,138,905 | - | 1,138,905 |
| Management and General | 116,514 | - | 116,514 |
| Fundraising | 109,433 | - | 109,433 |
| | <u>1,364,852</u> | <u>-</u> | <u>1,364,852</u> |
| CHANGE IN NET ASSETS | 69,603 | (85,783) | (16,180) |
| NET ASSETS, Beginning of Year | <u>1,816,481</u> | <u>129,408</u> | <u>1,945,889</u> |
| NET ASSETS, End of Year | <u>\$ 1,886,084</u> | <u>43,625</u> | <u>\$ 1,929,709</u> |

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See the accompanying independent auditor's report.

**CENTER FOR DEVELOPMENTAL SERVICES, INC
GREENVILLE, SOUTH CAROLINA**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2016

| | Program | Management and General | Fundraising | Total |
|----------------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| Salaries and Wages | \$ 273,863 | 22,168 | 45,018 | \$ 341,049 |
| Depreciation | 280,520 | 1,410 | - | 281,930 |
| Rent | 147,898 | 445 | - | 148,343 |
| Office Expense | 59,528 | 12,458 | 9,446 | 81,432 |
| Utilities | 67,244 | 1,163 | - | 68,407 |
| Professional Fees | 22,387 | 20,763 | 12,816 | 55,966 |
| Supplies | 43,570 | 2,993 | 950 | 47,513 |
| Computer Support and Software | 46,409 | 996 | - | 47,405 |
| Employee Benefits | 35,959 | 2,911 | 5,911 | 44,781 |
| Repairs and Maintenance | 36,879 | 638 | - | 37,517 |
| Payroll Taxes | 27,500 | 2,226 | 4,520 | 34,246 |
| Telephone and Internet | 26,254 | 454 | - | 26,708 |
| Advertising | 3,974 | 136 | 12,947 | 17,057 |
| Meals and Catering | 2,925 | 5,850 | 7,939 | 16,714 |
| Insurance | 12,354 | 219 | 296 | 12,869 |
| Printing and Copies | 6,095 | 871 | 1,742 | 8,708 |
| Equipment Rental and Maintenance | 8,358 | 145 | - | 8,503 |
| Office Supplies | 4,724 | 971 | 733 | 6,428 |
| Postage and Shipping | 2,270 | 189 | 1,324 | 3,783 |
| Dues and Subscriptions | - | 1,365 | - | 1,365 |
| Travel and Transportation | 887 | 296 | - | 1,183 |
| Taxes and Licenses | 175 | 3 | - | 178 |
| | <u>\$ 1,109,773</u> | <u>78,670</u> | <u>103,642</u> | <u>\$ 1,292,085</u> |

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See the accompanying independent auditor's report.

**CENTER FOR DEVELOPMENTAL SERVICES, INC
GREENVILLE, SOUTH CAROLINA**

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

| | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|--------------------|---------------------|
| Salaries and Wages | \$ 278,079 | 22,509 | 45,711 | \$ 346,299 |
| Depreciation | 277,399 | 1,394 | - | 278,793 |
| Rent | 147,945 | 445 | - | 148,390 |
| Professional Fees | 22,685 | 61,401 | 24,975 | 109,061 |
| Office Expense | 51,874 | 10,856 | 8,232 | 70,962 |
| Utilities | 67,256 | 1,163 | - | 68,419 |
| Repairs and Maintenance | 58,096 | 1,005 | - | 59,101 |
| Employee Benefits | 37,269 | 3,017 | 6,127 | 46,413 |
| Computer Support and Software | 42,074 | 903 | - | 42,977 |
| Supplies | 38,114 | 2,619 | 831 | 41,564 |
| Payroll Taxes | 27,142 | 2,197 | 4,462 | 33,801 |
| Telephone and Internet | 30,076 | 520 | - | 30,596 |
| Equipment Rental and Maintenance | 21,152 | 366 | - | 21,518 |
| Printing and Copies | 9,423 | 1,346 | 2,692 | 13,461 |
| Insurance | 12,724 | 225 | 305 | 13,254 |
| Meals and Catering | 3,220 | 3,623 | 6,191 | 13,034 |
| Office Supplies | 8,223 | 1,690 | 1,276 | 11,189 |
| Advertising | 2,077 | 71 | 6,765 | 8,913 |
| Postage and Shipping | 3,199 | 267 | 1,866 | 5,332 |
| Dues and Subscriptions | - | 770 | - | 770 |
| Taxes and Licenses | 526 | 9 | - | 535 |
| Travel and Transportation | 352 | 118 | - | 470 |
| | <u>\$ 1,138,905</u> | <u>116,514</u> | <u>109,433</u> | <u>\$ 1,364,852</u> |

The notes to the financial statements are an integral part of these financial statements.
See the accompanying independent auditor's report.

**CENTER FOR DEVELOPMENTAL SERVICES, INC.
GREENVILLE, SOUTH CAROLINA**

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2016 AND 2015

| CASH FLOWS FROM OPERATING ACTIVITIES | 2016 | 2015 |
|--|-------------------|-------------------|
| Change in Net Assets | \$ (199,434) | \$ (16,180) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities: | | |
| Depreciation Expense | 281,930 | 278,793 |
| Changes in Operating Assets and Liabilities: | | |
| Decrease (Increase) in Agency Receivables, Net | (22,615) | 29 |
| Decrease (Increase) in Pledges Receivable, Net | 26,786 | (38,233) |
| Decrease (Increase) in Prepaid Expenses | 3,797 | 4,727 |
| Increase (Decrease) in Accounts Payable and Accrued Expenses | (66,376) | 68,943 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 24,088 | 298,079 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Leasehold Improvements and Equipment | (78,046) | (174,537) |
| NET CASH USED BY INVESTING ACTIVITIES | (78,046) | (174,537) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (53,958) | 123,542 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | 456,479 | 332,937 |
| CASH AND CASH EQUIVALENTS, End of Year | \$ 402,521 | \$ 456,479 |

The notes to the financial statements are an integral part of these financial statements.
See the accompanying independent auditor's report.

**CENTER FOR DEVELOPMENTAL SERVICES, INC.
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE A—NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mission

The Center for Developmental Services, Inc. (the “Center”) is a unique partnership linking individuals and families with multi-disciplinary services for developmental evaluation, treatments, education, and support.

Nature of Operations

The Center was organized in 1993 as a nonprofit corporation. It is a collaboration of organizations that help children affected by developmental delays and disabilities and their families. The following agencies are located within the Center: the Children’s Hospital of Greenville Health System, Family Connection of S.C., Inc., KidVentures of Thrive Upstate, Preschool Special Education Services of the School District of Greenville County, and Clarity: Speech, Hearing and Learning Center.

Basis of Presentation

The accompanying financial statements of the Center have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and are presented in accordance with FASB ASC 958-205 Not-For-Profit Presentation of Financial Statements.

Net Assets and Restricted and Unrestricted Revenue and Support

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

- Unrestricted net assets are net assets that are not subject to donor-imposed restrictions. Grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor.
- Temporarily restricted net assets are net assets subject to donor-imposed stipulations that may be or will be met either by the actions of the Center or the passage of time. When a 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 Activities as net assets released from restrictions. If a restriction is fulfilled during the same year in which the contribution is received, the Center reports that support as unrestricted.
- Permanently restricted net assets are net assets that consist of donor-imposed stipulations that are permanent in nature and are not subject to expiration by actions of the Center or the passage of time. There were no permanently restricted net assets at December 31, 2016 and 2015.

Cash and Cash Equivalents

Cash equivalents included in these financial statements are defined as all highly liquid instruments purchased with an original maturity of three months or less.

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until conditions are substantially met.

**CENTER FOR DEVELOPMENTAL SERVICES, INC.
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

**NOTE A—NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Property and Equipment

The Center capitalizes property and equipment costing more than \$500, while lesser amounts are usually expensed. Purchased property and equipment are stated at cost. Donated property and equipment are recorded at their estimated fair value at the date of receipt. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Contributed Services and In-kind Contributions

Local businesses and organizations have contributed significant amounts of services, material and building space to the Center. In addition, a number of unpaid volunteers have made significant contributions of their time to the Center. For those contributed services that did not create or enhance non-financial assets or require specialized skills or that would not have been purchased if not donated, no amounts have been reflected in the financial statements for these services, since these services do not meet the criteria for recognition as contributed services. Services that meet the criteria for recognition as contributed services and in-kind contributions are recorded as contributions at their estimated fair market value.

Compensated Absences

The Center's general leave policy allows accumulation of up to 40 days for unused general leave at any time. Employees accumulate general leave at varying rates depending on longevity. At December 31, 2016 and 2015 employees had accumulated general leave of \$16,293 and \$18,548, respectively.

Advertising Costs

Advertising costs are recorded as expenses when incurred. Advertising costs totaled \$17,057 and \$8,913 for the years ended December 31, 2016 and 2015, respectively.

Functional Allocation of Expenses

Costs are charged to program expenses, management and general expenses, or fundraising expenses in the Statement of Activities, and certain costs have been allocated between program expenses and management and general expenses and fundraising expenses.

Income Tax Status

The Center has obtained exemption from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. In addition, the Center is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Management is not aware of any transactions or events that would disqualify its tax-exempt status. Therefore, no provision for income taxes has been included in the financial statements. The Center's tax returns for the past three years remain open for examination by taxing authorities.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**CENTER FOR DEVELOPMENTAL SERVICES, INC.
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE B—CONCENTRATION OF CREDIT RISK

The Center maintains all of its cash in a bank deposit account at one financial institution and generally limits its exposure to credit risk from balances on deposit with financial institutions in excess of the Federal Deposit Insurance Corporation (“FDIC”) insured limit. As of December 31, 2016 the Center’s bank balance exceeded FDIC limits by \$156,011. As of December 31, 2015, the Center’s bank balance exceeded FDIC limits by \$202,190.

NOTE C—RECEIVABLES

The Center leases space to the agencies located within the Center. At December 31, 2016 and 2015, the Center had \$132,563 and \$109,948 respectively, in agency receivables outstanding. There were no reserves needed for uncollectable agency receivables at December 31, 2016 and 2015.

Beginning in the fall of 2012, the Center has held an annual fundraising event. The 2012 fundraising event generated contributions of \$3,708 and \$13,273 during 2016 and 2015, respectively. The 2013 fundraising event generated contributions of \$4,038 and \$4,918 during 2016 and 2015, respectively. The 2014 fundraising event generated contributions of \$4,425 and \$4,425 during 2016 and 2015, respectively. The 2015 fundraising event generated contributions of \$17,000 and \$19,620 during 2016 and 2015, respectively. The 2016 fundraising event generated contributions of \$12,556. Pledges that remain outstanding from all fundraisers represent pledges covering years through 2020 and total \$83,383. At December 31, 2016 and 2015, the Center recorded pledges receivable of \$83,383 and \$110,169 respectively, net of a reserve for uncollectible pledges receivable of \$1,485 and \$2,075 respectively.

NOTE D—PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following at December 31:

| | Useful Life | 2016 | 2015 |
|--|-------------|--------------|--------------|
| Construction in Progress | N/A | \$ 30,578 | \$ - |
| Leasehold Improvements | 15-20 years | 4,853,743 | 4,853,743 |
| Equipment | 5 years | 229,625 | 182,158 |
| Furniture and Fixtures | 7 years | 72,704 | 72,704 |
| Software | 3 years | 22,233 | 22,233 |
| | | 5,208,883 | 5,130,838 |
| Less Accumulated Depreciation and Amortization | | (4,065,304) | (3,783,375) |
| | | \$ 1,143,579 | \$ 1,347,463 |

NOTE E—NET ASSETS AND RESTRICTIONS

Substantially all of the restrictions on the net assets at December 31, 2016 and 2015 were related to funds raised for ongoing efforts to help prepare the Center for future needs and service to community.

Temporarily restricted net assets are available for the following purposes at December 31, 2016 and 2015:

| | 2016 | 2015 |
|-----------------------------------|-----------|-----------|
| Facility Renovations and Upgrades | \$ 34,091 | \$ 9,625 |
| Technology Upgrades | 20,000 | - |
| Spanish Translation Program | - | 34,000 |
| | \$ 54,091 | \$ 43,625 |

**CENTER FOR DEVELOPMENTAL SERVICES, INC.
GREENVILLE, SOUTH CAROLINA**

NOTES TO THE FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

NOTE E—NET ASSETS AND RESTRICTIONS (CONTINUED)

Net assets were released from restrictions during 2016 and 2015 by incurring expenses satisfying the restricted purposes, by the occurrence of other events specified by donors, or by being released from restrictions by the donors.

During 2016 and 2015 the Center's Board of Directors designated \$137,329 and \$136,329, respectively, to be used for future capital projects.

NOTE F—RETIREMENT PLAN

Employees are eligible to participate in the Center's Section 401(k) qualified contribution salary reduction plan on the date of employment. Employees may contribute up to one hundred percent of their yearly compensation or the maximum amount allowed by the Internal Revenue Service. Effective January 1, 2004, the Center matches fifty percent of up to four percent of an employee's salary for all employees with a minimum of one year of service. For the years ended December 31, 2016 and 2015, employer contributions totaled \$5,729 and \$5,521, respectively.

NOTE G—COMMITMENTS

The Center leases its building from First Presbyterian Church of Greenville, SC (the "Church") under an operating lease originally signed in 1998 and amended in 2005 and again in 2015. Beginning January 1, 2015 through December 31, 2019 no rent is required to be paid by the Center. The Center has the option to renew the lease for an additional five years beginning in 2020 at a rate of 20% of the fair market rental value for the first year and escalating to 100% of fair market rental value in the fifth year. The estimated annual fair market value of the lease, \$122,400 and \$120,000 for 2016 and 2015 respectively, has been recorded in the Statement of Activities as rent expense and as a donation of services, material and space.

The Center subleases portions of the building to the agencies located within the Center. The rental revenue received under these subleases is included in Fees on the Statement of Activities and totaled \$416,508 and \$413,905 in 2016 and 2015, respectively. The subleases generally cover multiple years, however, the agencies have the right to terminate the sublease after providing 120 days written notice to the Center.

The Center has an unsecured \$300,000 line of credit with Southern First Bank which matures on December 19, 2017. The interest on outstanding borrowings is 4.0% per annum and is due monthly on the amount of credit outstanding. As of December 31, 2016 and 2015, there was no outstanding balance on the line of credit.

The Center entered into a contract with EDTS for information technology support in November 2015, for a term of 36 months at a rate of \$2,600 a month.

The Center entered into a contract with James E. Woodside & Co. for the use of 65 parking spaces for the Center's partners and employees. This contract commenced in October 2016, for a term of 12 months at a rate of \$2,275 a month.

The Center will take over the case management division of Thrive Upstate near the end of fiscal year 2017. This will provide an additional revenue stream and add approximately 20 case management employees to the Center.

NOTE H—SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 17, 2017, which is the date the financial statements were available to be issued.

On January 5, 2017, the Center signed a construction contract in the amount of \$230,390 for Phase I of the building renovations for additional office space and the Wonder Center expansion.