

**SAN RAMON VALLEY SCHOOL AGE
CHILD CARE ALLIANCE, INC. dba KIDS' COUNTRY**

FINANCIAL STATEMENTS

June 30, 2016 and 2015



SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY

C O N T E N T S

	Page
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5-14

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
San Ramon Valley School Age Child Care Alliance, Inc. dba Kids' Country
Danville, California

We have audited the accompanying financial statements of San Ramon Valley School Age Child Care Alliance, Inc. dba Kids' Country (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and changes in net assets, 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. 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 auditors' 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 auditors consider 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 San Ramon Valley School Age Child Care Alliance, Inc. dba Kids' Country as of June 30, 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.

Don Pilger Mayes, Inc.

Santa Rosa, California
December 6, 2016

**SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY**

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets:		
Cash	\$ 592,553	\$ 778,375
Accounts receivable, net	232,360	242,006
Prepaid expenses	53,098	34,176
Promise to give - rent receivable	206,634	206,634
Total current assets	1,084,645	1,261,191
Promise to give - rent receivable, net	1,049,254	1,136,538
Property and equipment, net	3,513,619	3,487,102
Other assets	20,858	20,858
Total assets	\$ 5,668,376	\$ 5,905,689
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 188,063	\$ 275,983
Accrued expenses	570,998	479,344
Deferred revenue	513,374	529,359
Other liabilities	-	3,154
Total liabilities	1,272,435	1,287,840
Contingencies and commitments (Note 11)		
Net assets:		
Unrestricted	3,140,053	3,274,677
Temporarily restricted	1,255,888	1,343,172
Total net assets	4,395,941	4,617,849
Total liabilities and net assets	\$ 5,668,376	\$ 5,905,689

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

SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Program income, net of scholarships	\$ 9,006,689	\$ -	\$ 9,006,689	\$ 8,270,756	\$ -	\$ 8,270,756
Enrichment classes	38,336	-	38,336	-	-	-
Contributions	925	179,522	180,447	1,074	203,625	204,699
Miscellaneous income	9,456	-	9,456	8,505	-	8,505
Net assets released from restrictions	266,806	(266,806)	-	283,702	(283,702)	-
 Total revenue and support	 9,322,212	 (87,284)	 9,234,928	 8,564,037	 (80,077)	 8,483,960
 Program expenses	 6,963,825	 -	 6,963,825	 6,513,595	 -	 6,513,595
 Total programs expenses	 6,963,825	 -	 6,963,825	 6,513,595	 -	 6,513,595
 General and administrative	 2,189,901	 -	 2,189,901	 1,948,814	 -	 1,948,814
Center for the Arts and Sciences expense	303,110	-	303,110	132,390	-	132,390
 Total expenses by function	 9,456,836	 -	 9,456,836	 8,594,799	 -	 8,594,799
 Changes in net assets	 (134,624)	 (87,284)	 (221,908)	 (30,762)	 (80,077)	 (110,839)
 Net assets, beginning of year	 3,274,677	 1,343,172	 4,617,849	 3,305,439	 1,423,249	 4,728,688
 Net assets, end of year	 <u>\$ 3,140,053</u>	 <u>\$ 1,255,888</u>	 <u>\$ 4,395,941</u>	 <u>\$ 3,274,677</u>	 <u>\$ 1,343,172</u>	 <u>\$ 4,617,849</u>

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

**SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY**

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Changes in net assets	\$ (221,908)	\$ (110,839)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	309,136	302,960
Gain on disposal of assets	(9,400)	-
Bad debt expense	5,416	7,602
Amortization of discount on promise to give	(119,350)	(126,557)
Change in promise to give - rent receivable	206,634	206,634
(Increase) decrease in operating assets:		
Accounts receivable	4,230	(10,101)
Prepaid expenses	(18,922)	38,467
Other assets	-	(500)
Increase (decrease) in operating liabilities:		
Accounts payable	(87,920)	101,252
Accrued expenses	91,654	16,275
Deferred revenue	(15,985)	51,370
Other liabilities	(3,154)	(4,649)
Net cash provided by operating activities	140,431	471,914
Cash flows from investing activities:		
Purchase of property and equipment	(335,653)	(351,589)
Proceeds from sale of property and equipment	9,400	-
Net cash used in investing activities	(326,253)	(351,589)
Net (decrease) increase in cash	(185,822)	120,325
Cash, beginning of year	778,375	658,050
Cash, end of year	\$ 592,553	\$ 778,375

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

**SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies

Organization

San Ramon Valley School Age Child Care Alliance, Inc. dba Kids' Country ("Kids' Country" or the "Organization") is a California nonprofit public benefit corporation created in 1985. Kids' Country supports a child's natural curiosity and love of learning in a safe and inspired environment where they can discover their passions and achieve great things. The Organization's principal objectives are to provide a challenging social and academic environment to the individual children, a nurturing, culturally diverse atmosphere, and to maintain open communication with the children, parents, staff, and the local school systems. Kids' Country's vision is to offer high level programming to unlock children's true potential and inspire the leaders of tomorrow.

For the years ended June 30, 2016 and 2015, the Organization operated school year programs at 13 elementary school sites. More than 1,800 children were enrolled in these programs during 2016 and 2015. Programming was divided into two calendars, school-year and summer camp, which was held during summer vacation.

School Year Program - Kids' Country child care operations continue to stress safety, relationships and social emotional learning. Focused committee work such as Anti-Bullying, Edible Education, Health and Safety, Intramural Sports, and Mindfulness bring many opportunities for the children to grow and thrive while attending the program.

Kids' Country is continuing to build upon the Program for the Arts with specialty classes offered in the areas of Science, Technology, Engineering, Arts, and Math (STEAM). In addition to two full time program management positions, two full time Curriculum Development Specialists research the industry's cutting edge advancements in curriculum and pedagogy and integrate that knowledge into a robust enrichment program. Curriculum partners have included Google, Ableton Live, UC Berkeley, and various museums. Enrichment instructors are specialists in their field and have professional experience in their unique curriculum areas.

Summer Program - Kids' Country offer several different summer camp experiences to children entering transitional Kindergarten through 5th grade. Summer camp offerings include Camp Wigalo for the younger children, The Zones Camp for older children, traditional summer camp for all elementary school ages, Extreme Adventure Camp for grades three through five, STEAM Specialty Camp for all elementary school ages, and Camp Getaway, a sleep-away camp for grades three through five. Camp Getaway's focus is on outdoor activities in a collaborative setting, in which children spend a week in the redwoods.

Basis of Presentation

Kids' Country reports information regarding its financial position and activities on an accrual basis according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets

Unrestricted net assets consist of all resources that have not been restricted by a donor.

Continued

SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies, continued

Basis of Presentation, continued

Temporarily Restricted Net Assets

Temporarily restricted net assets represent the portion of net assets of which use is limited by donor-imposed stipulations. 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 statements of activities and changes in net assets as net assets released from restrictions. Temporarily restricted net assets primarily consist of a non-cash promise to give of free rent receivable through the use of a long lived asset (site leases) as discussed in Note 5. Also included are \$35,172 in restricted contributions for use in the development for the Center of the Arts and a \$25,000 scholarship grant from the Quest Foundation. These amounts were released from restriction during the year ended June 30, 2016 (see Note 12).

Permanently Restricted Net Assets

Permanently restricted net assets represent the contributions to be held in perpetuity as directed by the donor. The income from these investments is available to support activities as designated by such donors. Kids' Country did not have any permanently restricted net assets at June 30, 2016 and 2015.

Cash

Cash consists of cash on deposit with two financial institutions and cash on hand in petty cash funds.

Accounts Receivables, Net

Accounts receivables consist primarily of pre-billings for upcoming summer camp tuition fees. Kids' Country uses the allowance method to account for uncollectible receivables. The allowance for doubtful accounts is based on historical experience and an evaluation of the outstanding receivables on an ongoing basis. It is Kids' Country's policy to charge off accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts was \$8,889 and \$7,974 for the years ended June 30, 2016 and 2015, respectively.

Promises to Give - Rent Receivable

Kids' Country received a promise to give of free rent through the use of a long-lived asset (site leases). This receivable was classified as a temporarily restricted asset. A contribution was recognized as revenue in the period the use of facilities is received, regardless of whether Kids' Country could afford to pay rent for the facilities. Contributed facilities to be used for a period of time are recognized as an unconditional pledge receivable and temporarily restricted contribution revenue. Temporarily restricted net assets related to the promised use of facilities are released to unrestricted net assets over the period of use. Pledges that extend beyond one year are discounted to reflect their net present value at the period of contribution. Discount amortization is recognized as contributions in the statements of activities and changes in net assets.

Continued

SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Acquisitions of property and equipment individually or in bulk in excess of \$3,000 and useful life of more than one year are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Estimated useful lives are as follows:

Leasehold improvements	8 years
Furniture and fixtures	3 to 11 years
Computers, systems, and peripherals	> 1 to 7 years
Vehicles	5 years
Software	3 to 10 years
Buildings	10 to 40 years

Expenditures for maintenance and repairs are charged to expense as incurred.

Accrued Compensated Absences

A liability is recorded for the estimated amounts of compensation for future absences. Unused vacation leave can be accrued up to two years' worth of an employee's annual accrual or 320 hours, whichever is lower. In addition, one half of unused sick leave is payable upon termination. Annual leave accruals are recorded in the financial statements as accrued expenses, based on hourly rates in effect at the respective statements of financial position date.

Deferred Revenue

Deferred revenue consists of fees received or billed in advance related to the summer camp program, held in July and August.

Grants and Donations

All grants and donations considered contributions are unrestricted unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases the related net assets, and accounted for accordingly.

Continued

SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies, continued

Revenue Recognition

Kids' Country receives substantially all of its revenue from program service fees. The revenue from rendering these services is recognized when services have been provided. Kids' Country provides financial aid (scholarships) to qualified students. Total revenues were reported net of scholarships granted to individual students of \$90,997 and \$65,407 for the years ended June 30, 2016 and 2015, respectively. Kids' Country bills one month in advance for childcare services. Payment must be received prior to the first day of the month in order to receive care. Accounts receivable are recorded when students are billed. The amounts related to the billings of the upcoming childcare services are recorded as accounts receivable and deferred revenue.

Advertising and Promotion

Advertising costs are charged to expense as incurred. Advertising expenses were \$76,084 and \$24,973 for the years ended June 30, 2016 and 2015, respectively.

Functional Expense Classifications

Kids' Country's operating expenses are classified between school year programs, summer programs, and general and administrative activities based on employee ratios and other estimates made by management.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions 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.

Income Taxes

Kids' Country is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Kids' Country is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. In addition, Kids' Country has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 501(a) of the Code. Kids' Country follows accounting guidance for uncertain tax positions. In management's opinion, there are no uncertain tax positions for the years ended June 30, 2016 and 2015.

Fair Value of Financial Instruments

The carrying value of certain financial instruments (accounts receivable and accounts payable) approximates their fair values because they are short-term in nature or they are receivable or payable on demand.

Continued

**SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

1. Organization and Summary of Significant Accounting Policies, continued

Reclassification

Certain financial statement items in the prior year financial statements have been reclassified to conform to the current year presentation. These reclassifications had no significant impact on previously reported results of operations, total assets, total liabilities, net assets, and cash flows.

2. Concentrations of Credit Risk

Kids' Country maintains accounts at two financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. Such accounts may, at times, be in excess of insured amounts. Kids' Country has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on its cash balances.

All of Kids' Country's programs (except Camp Getaway residential summer sessions) reside at locations subject to lease agreements with the San Ramon Valley Unified School District. The leases are land leases upon which Kids' Country's facilities were placed or built, with the exception of Coyote Creek, Quail Run, and Creekside, which are leases of building facilities. Consequently, a concentration of risk exists with regard to future revenue to the extent that San Ramon Valley Unified School District leases virtually all Kids' Country's locations of operations.

3. Accounts Receivable

Accounts receivable consisted of the following as of June 30:

	2016	2015
Pre-billed tuition fees receivable	\$ 241,249	\$ 249,980
Less allowance for doubtful accounts	(8,889)	(7,974)
Accounts receivable, net	\$ 232,360	\$ 242,006

The activities in the allowance for doubtful accounts for the years ended June 30 2016 and 2015 were as follows:

	2016	2015
Beginning balance	\$ 7,974	\$ 2,974
Charge-offs	(4,501)	(2,602)
Provision for bad debts	5,416	7,602
Ending balance	\$ 8,889	\$ 7,974

Continued

SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

4. Prepaid Expenses

Prepaid expenses consisted of the following as of June 30:

	2016	2015
Prepaid camp expenses	\$ 44,951	\$ 25,746
Prepaid technology	4,097	8,430
Prepaid other expenses	4,050	-
Total	\$ 53,098	\$ 34,176

5. Promise to Give

Kids' Country received a non-cash promise to give of free rent through the use of a long lived asset (Site leases). Under the guidance of Accounting Standards Codification 958, *Not-for-Profit Entities*, Kids' Country determined the value of the promise to give free rent through independent appraisers. Discounting the remaining market rate payments of \$206,634 at a rate of 9%, Kids' Country determined the present value of the lease interest to be \$1,255,888 and \$1,343,172 which is held as temporarily restricted net assets, at June 30, 2016 and 2015, respectively. The annual rent expense is included in the statements of activities and changes in net assets. Net assets of \$206,634 were released from donor restrictions by the passage of time for each of the years ended June 30, 2016 and 2015.

As of June 30, 2016, the balance on this promise to give is as follows:

Year ending June 30:	
2017	\$ 206,634
2018	206,634
2019	206,634
2020	206,634
2021	206,634
Thereafter	826,544
	1,859,714
Less discount to present value (9%)	(603,826)
	\$ 1,255,888

Continued

**SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

6. Property and Equipment

Following is a summary of property and equipment as of June 30:

	2016	2015
Leasehold improvements	\$ 213,982	\$ 213,982
Furniture and fixtures	821,421	734,106
Computers, systems, and peripherals	336,273	227,526
Vehicles	226,395	185,206
Software	186,695	145,823
Buildings on leased properties	6,065,710	6,024,205
Software cost and installation-in-process	-	98,751
Construction in process	374,858	319,082
Total	8,225,334	7,948,681
Less accumulated depreciation and amortization	(4,711,715)	(4,461,579)
Property and equipment, net	\$ 3,513,619	\$ 3,487,102

Total depreciation and amortization expense was \$309,136 and \$302,960 for the years ended June 30, 2016 and 2015, respectively.

7. Other Assets

Other assets consisted of the following as of June 30:

	2016	2015
Deposit on administrative office	\$ 18,461	\$ 18,461
Sculpture	2,397	2,397
Total	\$ 20,858	\$ 20,858

8. Long-Term Debt

Kids' Country has a secured line of credit of \$1,000,000 for the year ended June 30, 2016. The interest is a variable rate of the Prime Rate Index plus 1%, or 5.5%, whichever is higher. The interest rate as of June 30, 2016 was 5.5%. The line had no outstanding balance at June 30, 2016 and 2015. The line of credit is collateralized by substantially all assets of the Organization and matures in January of 2017.

Continued

**SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

9. Accrued Expenses

Accrued expenses consisted of the following as of June 30:

	2016	2015
Accrued compensated absences	\$ 289,352	\$ 268,774
Accrued salaries and payroll taxes	269,677	200,913
Accrued 403(b) retirement plan contribution	11,969	9,657
Total	\$ 570,998	\$ 479,344

10. Retirement Plan

Kids' Country has a contributory defined contribution retirement plan (the "Plan") under Section 403(b) of the Internal Revenue Code. The Plan covers substantially all employees, and provides for voluntary salary deferrals up to certain defined amounts. The Board of Directors approves an annual contribution to the Plan during the annual budgeting process. Contributions of \$71,691 and \$62,612 were approved and expensed for the years ended June 30, 2016 and 2015, respectively.

11. Commitments and Contingencies

Lease Commitments

The future minimum lease payments under all non-cancelable leases are as follows:

	Administrative Offices ¹	Day Care Facilities ²
For the year ended June 30:		
2017	\$ 136,200	\$ 216,949
2018	34,050	167,041
2019	-	167,041
2020	-	167,041
2021	-	167,041
Thereafter	-	-
Total	\$ 170,250	\$ 885,113

¹ On September 30, 2015, the Administrative Offices lease was extended for another 24 months (terminating on September 30, 2017). The terms of the agreement were also amended to reduce the monthly lease expense from \$13,030 per month to \$11,350 per month.

² Kids' Country is also a party to a lease agreement with the SRVUSD for the use of facilities where it conducts its extended daycare activities. This transaction is part of the amended master lease agreement; however, these leases have the option to renew or cancel annually. The master lease agreement also states that the rent shall be increased annually by the Consumer Price Index ("CPI").

Continued

**SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

11. Commitments and Contingencies, continued

Lease Commitments, continued

Rental expense for Administrative and Day Care Facilities was \$281,411 and \$286,341 for the years ended June 30, 2016 and 2015, respectively. In-kind rental expense for sites leases was \$206,634 for the years ended June 30, 2016 and 2015.

Legal Proceedings

Kids' Country is from time to time engaged in litigation. It is Kids' Country's policy to vigorously defend all lawsuits. While the final outcome of these cases cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on the Kids' Country financial statements. In addition, insurance coverage is maintained to cover the Organization in the event they do not succeed in defending their position. The Organization was not involved in any litigation for the year ended June 30, 2016.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets of \$1,255,888 and \$1,343,173 as of June 30, 2016 and 2015, respectively, are related to non-cash promise to give of free rent through the use of a long-lived asset (Site leases).

Temporarily restricted net assets were recorded as income for the following purposes as of June 30:

	2016	2015
Promise to give - Rent receivable amortization	\$ 119,350	\$ 126,557
Improvements - Center for the Arts	35,172	44,068
Student Scholarship - Quest	25,000	33,000
	\$ 179,522	\$ 203,625

Temporarily restricted net assets were released from restriction for the following purposes during the years ended June 30:

	2016	2015
Promise to give - Free rent	\$ 206,634	\$ 206,634
Improvements - Center for the Arts	35,172	44,068
Student Scholarship - Quest	25,000	33,000
	\$ 266,806	\$ 283,702

Continued

SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.
dba KIDS' COUNTRY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016 and 2015

13. Related Party Transactions

Two members of the Kids' Country Board of Directors are involved with the bank at which Kids' Country has a line of credit, checking, and savings account. One sits on the Advisory Board and the other is a Regional Vice President.

14. Center for the Arts and Sciences

On November 19, 2013, the Organization executed a lease of 99 years at a \$1 per year, for the existing, unfinished Performing Arts Center at 500 La Gonda Way, Danville, CA. (the "Center") The Center will house classroom space dedicated to the various arts, as well as the Organization's administrative offices. The Organization incurred \$340,102 and \$293,340 of costs associated with the Center for the years ended June 30, 2016 and 2015, respectively. These costs consisted of architecture fees, equipment, utilities, the hiring of a public relations person to help in fundraising for the center, and common area maintenance fees. Of these costs incurred, \$36,972 and \$160,950 were capitalized and included in property and equipment on the Organization's statements of financial position as of June 30, 2016 and 2015, while \$303,110 and \$132,390 are included in Center for the Arts and Sciences expense on the Organization's statements of activities and changes in net assets for the years ended June 30, 2016 and 2015, respectively.

As of June 30, 2016, the fair value of the rent given the building's current condition is not significantly different than the rent under the lease agreement. Management determined that recording a promise to give for free rent receivable in fiscal 2015 was not appropriate due to the uncertainty of the construction completion date and the current availability and feasibility of funding for the refurbishment of the facility.

15. Subsequent Events

On July 1, 2016, the Organization entered into a lease for an additional daycare facility in Alamo, California. The lease calls for monthly rent payments of \$3,666 and will expire June 30, 2021.

Additionally, on July 1, 2016, the Organization entered into a lease for an additional daycare facility in San Ramon, California. The lease calls for monthly rent payments of \$1,995 and will expire June 30, 2021.

On July 11, 2016, the Organization entered into a \$250,000 term loan with a financial institution. The loan bears interest at 5.5% and matures on July 7, 2021. The term loan is collateralized by substantially all the assets of the Organization.

Management has evaluated subsequent events for recognition and disclosure through December 6, 2016, the date which these financial statements were issued. Management concluded that no other material subsequent events have occurred since June 30, 2016 that required recognition or disclosure in the financial statements.