

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

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**FINANCIAL STATEMENTS**

June 30, 2017 and 2016



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

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## 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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended are in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in blue ink, appearing to read 'BPM LLP', is written over the printed name of the firm.

Santa Rosa, California  
November 13, 2017

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

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2017 and 2016

	2017	2016
<b>ASSETS</b>		
Current assets:		
Cash	\$ 794,220	\$ 592,553
Accounts receivable, net	174,629	232,360
Prepaid expenses	18,286	53,098
Promise to give - rent receivable	206,634	206,634
Total current assets	1,193,769	1,084,645
Promise to give - rent receivable, net	954,114	1,049,254
Property and equipment, net	3,128,675	3,513,619
Other assets	10,658	20,858
Total assets	\$ 5,287,216	\$ 5,668,376
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 212,146	\$ 188,063
Accrued expenses	550,196	570,998
Deferred revenue	515,157	513,374
Note payable, current portion	50,000	-
Total current liabilities	1,327,499	1,272,435
Note payable, net of current portion	140,365	-
Total liabilities	1,467,864	1,272,435
Contingencies and commitments (Note 9)		
Net assets:		
Unrestricted	2,658,604	3,140,053
Temporarily restricted	1,160,748	1,255,888
Total net assets	3,819,352	4,395,941
Total liabilities and net assets	\$ 5,287,216	\$ 5,668,376

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, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and support:						
Program income, net of scholarships	\$ 9,868,475	\$ -	\$ 9,868,475	\$ 9,006,689	\$ -	\$ 9,006,689
Enrichment classes	78,388	-	78,388	38,336	-	38,336
Contributions	-	155,469	155,469	925	179,522	180,447
Miscellaneous income	468	-	468	9,456	-	9,456
Net assets released from restrictions	250,609	(250,609)	-	266,806	(266,806)	-
 Total revenue and support	 10,197,940	 (95,140)	 10,102,800	 9,322,212	 (87,284)	 9,234,928
 Program expenses	 7,962,527	 -	 7,962,527	 6,963,825	 -	 6,963,825
 Total program expenses	 7,962,527	 -	 7,962,527	 6,963,825	 -	 6,963,825
 General and administrative	 2,130,038	 -	 2,130,038	 2,189,901	 -	 2,189,901
Center for Arts and Sciences	586,824	-	586,824	303,110	-	303,110
 Total expenses by function	 10,679,389	 -	 10,679,389	 9,456,836	 -	 9,456,836
 Changes in net assets	 (481,449)	 (95,140)	 (576,589)	 (134,624)	 (87,284)	 (221,908)
 Net assets, beginning of year	 3,140,053	 1,255,888	 4,395,941	 3,274,677	 1,343,172	 4,617,849
 Net assets, end of year	 <u>\$ 2,658,604</u>	 <u>\$ 1,160,748</u>	 <u>\$ 3,819,352</u>	 <u>\$ 3,140,053</u>	 <u>\$ 1,255,888</u>	 <u>\$ 4,395,941</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, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Changes in net assets	\$ (576,589)	\$ (221,908)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	361,943	309,136
Property write-off charged to expense	319,082	-
Gain from disposal of property and equipment	-	(9,400)
Provision for doubtful accounts	10,005	5,416
Amortization of discount on promise to give	(111,494)	(119,350)
Change in promise to give - rent receivable	206,634	206,634
(Increase) decrease in operating assets:		
Accounts receivable	47,726	4,230
Prepaid expenses	34,812	(18,922)
Other assets	10,200	-
Increase (decrease) in operating liabilities:		
Accounts payable	24,083	(87,920)
Accrued expenses	(20,802)	91,654
Deferred revenue	1,783	(15,985)
Other liabilities	-	(3,154)
Net cash provided by operating activities	307,383	140,431
Cash flows from investing activities:		
Purchase of property and equipment	(296,081)	(335,653)
Proceeds from sale of property and equipment	-	9,400
Net cash used in investing activities	(296,081)	(326,253)
Cash flows from financing activities:		
Proceeds from borrowings on note payable	250,000	-
Principal payments on note payable	(59,635)	-
Net cash provided by financing activities	190,365	-
Net increase (decrease) in cash	201,667	(185,822)
Cash, beginning of year	592,553	778,375
Cash, end of year	\$ 794,220	\$ 592,553
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 11,095	\$ -

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, 2017 and 2016

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**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, 2017 and 2016, the Organization operated school year programs at 15 elementary school sites. More than 2,000 children were enrolled in these programs during 2017 and 2016. 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 enrichment 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.

***Financial Results and Liquidity***

The Organization had negative working capital of \$133,730 and \$187,790 as of June 30, 2017 and 2016, respectively, as well as a negative change in net assets of \$576,589 and \$221,908 for the years ended June 30, 2017 and 2016, respectively. The Organization generated positive cashflows from operations of \$307,383 and \$140,431 for the years ended June 30, 2017 and 2016, respectively. With the termination of the Center for Arts and Sciences project and lease, management believes ongoing operations and the line of credit will provide sufficient operating capital to sustain operations going forward.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

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**1. Organization and Summary of Significant Accounting Policies, continued**

***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.

**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.

During the year ended June 30, 2017, temporarily restricted net assets consisted of a non-cash promise to give of free rent of \$111,494, a \$25,000 scholarship grant from the Quest Foundation, and \$18,975 of contributions received for scholarships. These amounts were released from restriction during the year ended June 30, 2017 (see Note 10).

During the year ended June 30, 2016, temporary restricted net assets consisted of a non-cash promise to give free rent of \$119,350, a \$25,000 scholarship grant from the Quest Foundation, and \$35,172 restricted contribution for use in the development for the Center for Arts and Sciences. These amounts were released from restriction during the year ended June 30, 2016 (see Note 10).

**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, 2017 and 2016.

***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 \$17,327 and \$8,889 at June 30, 2017 and 2016, respectively. Bad debt expense amounted to \$10,005 and \$5,416 for the years ended June 30, 2017 and 2016, respectively.

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

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**1. Organization and Summary of Significant Accounting Policies, continued**

***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.

***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 lesser of the straight-line method over the estimated useful lives of the related assets or the term of the underlying property lease.

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' 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.

Continued

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

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**1. Organization and Summary of Significant Accounting Policies, continued**

***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.

***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 \$84,498 and \$90,997 for the years ended June 30, 2017 and 2016, 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 childcare. 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 \$58,837 and \$76,084 for the years ended June 30, 2017 and 2016, 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 ("GAAP") 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 (the "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, 2017 and 2016.

Continued

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

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**1. Organization and Summary of Significant Accounting Policies, continued**

***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.

***Recent Accounting Pronouncements***

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The standard is effective for the Organization for annual reporting periods beginning after December 15, 2018.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The amendments in this update create Topic 842, *Leases*, and supersede the leases requirements in Topic 840, *Leases*. Topic 842 specifies the accounting for leases. The objective of Topic 842 is to establish the principles that lessees and lessors shall apply to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from a lease. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The ASU is effective for interim and annual periods beginning after December 15, 2019, with early adoption permitted. The Organization is currently evaluating the effects of adopting the standard.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The update changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about liquidity, financial performance, and cash flows. The main difference between previous GAAP and Topic 958 is that net assets will now be presented in two classes rather than three. Not-for-Profit entities will report amounts for net assets with donor restrictions and net assets without donor restrictions. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the effects of adopting the standard.

**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.

Continued

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

**2. Concentrations of Credit Risk, continued**

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, Twin Creeks, Rancho Romero, 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:

	2017	2016
Tuition fees receivable	\$ 191,956	\$ 241,249
Less allowance for doubtful accounts	(17,327)	(8,889)
Accounts receivable, net	\$ 174,629	\$ 232,360

The activities in the allowance for doubtful accounts for the years ended June 30 2017 and 2016 were as follows:

	2017	2016
Beginning balance	\$ 8,889	\$ 7,974
Charge-offs	(1,567)	(4,501)
Provision for doubtful accounts	10,005	5,416
Ending balance	\$ 17,327	\$ 8,889

**4. 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 \$1,160,746 and \$1,255,888 which is held as temporarily restricted net assets, at June 30, 2017 and 2016, 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, 2017 and 2016.

Continued

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

**4. Promise to Give, continued**

As of June 30, 2017, the balance on this promise to give is as follows:

Year ending June 30:		
2018	\$	206,634
2019		206,634
2020		206,634
2021		206,634
2022		206,634
Thereafter		<u>619,907</u>
		1,653,077
Less discount to present value (9%)		<u>(492,329)</u>
		<u><u>\$ 1,160,748</u></u>

**5. Property and Equipment**

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

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 213,982	\$ 213,982
Furniture and fixtures	1,037,406	821,421
Computers, systems, and peripherals	336,273	336,273
Vehicles	226,395	226,395
Software	186,695	186,695
Buildings on leased properties	6,201,583	6,065,710
Construction in process	<u>-</u>	<u>374,858</u>
Total	8,202,334	8,225,334
Less accumulated depreciation and amortization	<u>(5,073,659)</u>	<u>(4,711,715)</u>
Property and equipment, net	<u><u>\$ 3,128,675</u></u>	<u><u>\$ 3,513,619</u></u>

Total depreciation and amortization expense was \$361,943 and \$309,136 for the years ended June 30, 2017 and 2016, respectively.

Continued

**SAN RAMON VALLEY SCHOOL AGE CHILD CARE ALLIANCE, INC.  
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**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

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**6. Note Payable and Line of Credit**

Kids' Country has a secured line of credit of \$250,000 for the year ended June 30, 2017. 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, 2017 was 5.5%. The line had no outstanding balance at June 30, 2017 and 2016. The line of credit is collateralized by substantially all assets of the Organization not otherwise encumbered and matures May of 2018.

On July 7, 2016, Kid's Country secured a term loan of \$250,000 from a financial institution. The term note matures on July 7, 2021 and bears an interest rate of 5.5%. During the year, the Organization made principal payments of \$59,635. The outstanding balance is \$190,365 as of June 30, 2017. The term loan is collateralized by substantially all the assets of the Organization's not otherwise encumbered.

The term note requires the Organization comply with certain financial covenants. As of June 30, 2017, the Organization was out of compliance with certain of these covenants, but received a waiver of compliance from the holding financial institution.

The future minimum payments on the Organization's term note payable are as follows:

Year ending June 30:		
2018	\$	50,000
2019		50,000
2020		50,000
2021		40,365
		<u>40,365</u>
	\$	<u>190,365</u>

**7. Accrued Expenses**

Accrued expenses consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Accrued compensated absences	\$ 312,077	\$ 289,352
Accrued salaries and payroll taxes	226,591	269,677
Accrued 403(b) retirement plan contribution	<u>11,528</u>	<u>11,969</u>
Total	<u>\$ 550,196</u>	<u>\$ 570,998</u>

Continued

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

**8. Retirement Plan**

Kids' Country has a contributory defined contribution retirement plan (the "Plan") under Section 403(b) of the 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 \$81,127 and \$71,691 were approved and expensed for the years ended June 30, 2017 and 2016, respectively.

**9. Commitments and Contingencies**

***Lease Commitments***

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

	Administrative Offices <sup>1</sup>	Day Care Facilities <sup>2</sup>
For the year ending June 30:		
2018	\$ 142,644	\$ 233,376
2019	144,792	213,624
2020	144,792	213,624
2021	144,792	213,624
2022	144,792	213,624
Thereafter	36,198	166,272
Total	\$ 758,010	\$ 1,254,144

<sup>1</sup> On August 1, 2017, the Administrative Offices lease was extended for 60 months (terminating on September 30, 2022). The terms of the agreement increased the monthly lease expense, effective October 1, 2017 became \$12,066 per month, increasing each year by the Consumer Price Index ("CPI"). As the amount of the annual increase against the CPI is uncertain, the base rent is used to disclose the future lease commitment.

<sup>2</sup> 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 CPI.

Rental expense for administrative and day care facilities was \$405,497 and \$281,411 for the years ended June 30, 2017 and 2016, respectively. In-kind rental expense for sites leases was \$206,634 for the years ended June 30, 2017 and 2016.

Continued

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

**9. Commitments and Contingencies, continued**

***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 years ended June 30, 2017 or 2016.

**10. Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$1,160,748 and \$1,255,888 as of June 30, 2017 and 2016, respectively, are related to non-cash promise to give of free rent through the use of a long-lived asset (Site leases).

Temporarily restricted nets assets are available for the following as of June 30:

	2017	2016
Promise to give - Rent receivable amortization	\$ 1,160,748	\$ 1,255,888
	\$ 1,160,748	\$ 1,255,888

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

	2017	2016
Promise to give - Free rent	\$ 206,634	\$ 206,634
Improvements - Center for the Arts	-	35,172
Student Scholarship	43,975	25,000
	\$ 250,609	\$ 266,806

**11. Related Party Transactions**

Two members of the Kids' Country Board of Directors are involved with the bank at which Kids' Country has a term loan, line of credit, checking, and savings account.

Continued



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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2017 and 2016

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**12. Center for 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 various costs associated with the Center. 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, a total of \$319,000 were capitalized and included in property and equipment on the Organization's statements of financial position as of June 30, 2016.

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.

During 2017, the Organization determined the Center was no longer feasible and terminated the project. On April 27, 2017, the Organization terminated the lease on the property and incurred \$25,800 in connection with the lease termination. The Organization expensed previously capitalized costs of \$319,000, which are included in the Center for Arts and Sciences expenses on the accompanying statements of activities and changes in net assets.

**13. Subsequent Events**

Management has evaluated subsequent events for recognition and disclosure through November 13, 2017, the date which these financial statements were issued. Management concluded that no material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in the financial statements.