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LEARNING TOGETHER, INC.

Financial Statements

June 30, 2016

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KWH Koonce, Wooten & Haywood, LLP
CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Learning Together, Inc.
Raleigh, North Carolina

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Learning Together, Inc. (a North Carolina not-for-profit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 of 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 Learning Together, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Koonce, Wooten & Haywood, LLP

Raleigh, North Carolina
January 27, 2017

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LEARNING TOGETHER, INC.
Statement of Financial Position
June 30, 2016

ASSETS

CURRENT ASSETS:		
Cash and Cash Equivalents	$	185,710
Accounts Receivable		12,550
Total Current Assets		198,260
PROPERTY AND EQUIPMENT:		
Equipment		14,870
Less Accumulated Depreciation		13,109
Net Property and Equipment		1,761
OTHER ASSETS:		
Beneficial Interest in Assets Held by Others		111,987
Total Assets	$	312,008

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts Payable	$	12,303
Accrued Expenses and Payroll Liabilities		44,337
Total Current Liabilities		56,640
NET ASSETS:		
Unrestricted		145,002
Unrestricted--Board Designated		82,847
Permanently Restricted		27,519
Total Net Assets		255,368
Total Liabilities and Net Assets	$	312,008

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

LEARNING TOGETHER, INC.
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Permanently Restricted	Total
REVENUE FROM OPERATIONS:			
Tuition and Fees	$ 96,532	$	$ 96,532
Wake County Public Schools	780,641		780,641
Wake County Human Service Childcare Subsidy	100,374		100,374
Wake County Smart Start--NC Pre K Program	73,755		73,755
Telamon Head Start (Child Mental Health)	49,810		49,810
Child Care Food Program	29,414		29,414
Investment Income	251		251
Miscellaneous	5,774		5,774
Total Revenue from Operations	1,136,551		1,136,551
PUBLIC SUPPORT:			
United Way of the Greater Triangle--Allocation	193,710		193,710
United Way of the Greater Triangle--Designated	4,537		4,537
Wake County In-Kind Rent	101,682		101,682
Fundraising	97,614		97,614
Contributions	229,273	100	229,373
In-Kind Contributions, excluding rent	1,653		1,653
Total Public Support	628,469	100	628,569
Total Revenue and Support	1,765,020	100	1,765,120
EXPENSES:			
Program Services:			
Developmental Day Care	1,550,286		1,550,286
Child Mental Health Initiative	51,694		51,694
Total Program Services	1,601,980		1,601,980
Supporting Services:			
Management and General	90,576		90,576
Fund Development	77,334		77,334
Total Supporting Services	167,910		167,910
Total Expenses	1,769,890		1,769,890
CHANGES IN NET ASSETS	(4,870)	100	(4,770)
NET ASSETS--Beginning of Year	232,719	27,419	260,138
NET ASSETS--End of Year	$ 227,849	$ 27,519	$ 255,368

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

STATEMENT OF FUNCTIONAL EXPENSES

LEARNING TOGETHER, INC.
Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program Services		
	Development Day Care	Child Mental Health	Total Program Services
Salaries and Benefits	$ 1,096,442	$ 37,379	$ 1,133,821
Occupancy Cost	83,379	6,101	89,480
Therapy Services	101,149		101,149
Food Service--Food and Beverage	70,806		70,806
Professional Fees	49,968	2,630	52,598
Partner Classroom Costs--Little Pros	42,201		42,201
Fundraising Costs			
Program Supplies	29,964	1,438	31,402
Utilities	14,644	1,502	16,146
Land Lines and Cell Phones	9,164	1,381	10,545
Partner Classroom Costs--Telemon	11,799		11,799
Repairs and Maintenance	8,991		8,991
Business Insurance	8,222	433	8,655
Miscellaneous Expense			
Food Service Supplies	4,529		4,529
Office Supplies	3,325	175	3,500
Hotel, Meals, and Incidentals	2,992		2,992
Computer Expense	2,509	132	2,641
Postage	1,749	194	1,943
Travel Reimbursement	1,691	188	1,879
Staff Development	1,665		1,665
In-Kind Expense	1,653		1,653
Printing	1,271	141	1,412
Dues and Memberships	1,345		1,345
Depreciation			
Advertising	828		828
	$ 1,550,286	$ 51,694	$ 1,601,980

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

Supporting Services: Management and General	Supporting Services: Fund Development	Supporting Services: Total Supporting Services	Total
$ 74,757	$ 37,379	$ 112,136	$ 1,245,957
6,101	6,101	12,202	101,682
			101,149
			70,806
			52,598
			42,201
	32,726	32,726	32,726
			31,402
1,877	751	2,628	18,774
1,632	377	2,009	12,554
			11,799
			8,991
			8,655
5,035		5,035	5,035
			4,529
			3,500
			2,992
			2,641
			1,943
			1,879
			1,665
			1,653
			1,412
			1,345
1,174		1,174	1,174
			828
$ 90,576	$ 77,334	$ 167,910	$ 1,769,890

LEARNING TOGETHER, INC.
Statement of Cash Flows
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	$	(4,770)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		1,174
Realized and Unrealized Losses		1,053
Changes in Assets and Liabilities:		
Accounts Receivable		6,016
Accounts Payable		9,145
Accrued Expenses and Payroll Liabilities		1,984
Net Cash Provided by Operating Activities		14,602
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments		(211)
Net Cash Used by Investing Activities		(211)
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,391
CASH AND CASH EQUIVALENTS--Beginning of Year		171,319
CASH AND CASH EQUIVALENTS--End of Year	$	185,710

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

LEARNING TOGETHER, INC.
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Polices

A. Organization:

Learning Together, Inc. (the Organization) was established in 1975. The Organization's mission is to meet the developmental, educational, and health needs of young children of all abilities. Its main two programs include: 1) a Developmental Day Center which provides an inclusive center-based program for children from 18 months to six years of age with, or at risk for, developmental disabilities as well as for children typically developing; and 2) a Child Mental Health Initiative which provides comprehensive services to children from birth to six years of age who have demonstrated serious social, emotional, behavioral, and/or mental health concerns that have jeopardized their child care, family life, and future growth and development.

The Organization's primary sources of revenue include funds from government agencies as well as cash and in-kind donations from a variety of sources.

B. Basis of Accounting:

The Organization's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

C. Basis of Presentation:

Net assets and support, revenue, and expenses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets--Net assets that are not subject to externally imposed restrictions. Certain net assets classified as unrestricted may be designated for specific purposes or uses under various internal operating budgets or for board designated purposes.

Temporarily Restricted Net Assets--Net assets subject to externally imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. The Organization currently has no temporarily restricted net assets.

Permanently Restricted Net Assets--Net assets subject to externally imposed restrictions that they be maintained permanently by the Organization.

D. Cash and Cash Equivalents:

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

E. Contributions:

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 that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

F. Accounts Receivable:

Accounts receivable, including sales tax receivable, are carried at their estimated collectible amounts. Management evaluates the collectability of receivables based on knowledge of the organization that owes money and other related factors. Management deems all receivables to be collectible for the year ended June 30, 2016 and therefore no allowance for doubtful accounts has been recorded.

LEARNING TOGETHER, INC.
Notes to Financial Statements
June 30, 2016

1. Summary of Significant Accounting Polices (Continued)

G. Beneficial Interests in Assets Held by Others:

Beneficial interest in assets held by others are carried at fair market value. These investments are described more fully in Note 5.

Investment income, relating primarily to the beneficial interests, consists of the following:

Interest and Dividends	$	1,304
Realized Gains		342
Unrealized Losses		(1,395)
	$	251

Investment fees of $1,111 are included with expenses.

H. Property and Equipment:

Property and equipment with a cost or fair value of $5,000 or more and/or life expectancy of at least three years are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Routine repairs and maintenance are expensed as incurred. Estimated useful lives are summarized as follows:

Equipment	5-10 years

I. Concentrations of Credit Risk:

All deposits of the Organization are made in board-designated official depositories. Funds are invested in checking, savings, and money market accounts with financial institutions in North Carolina.

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. The balances are insured up to $250,000 by the Federal Deposit Insurance Corporation. At June 30, 2016, the Organization's cash balance was fully insured.

The Organization received approximately 44% of its total revenue and support from the Wake County Public School System during the year ended June 30, 2016.

J. Income Taxes:

The Organization is exempt from income taxes under the Internal Revenue Code Section 501(c)(3) on its exempt function income and is classified by the IRS as a publicly supported organization. There was no unrelated business income tax for the year ended June 30, 2016.

The Organization evaluates its uncertain tax positions using provisions of FASB Accounting Standards Codification (ASC) 740, *Income Taxes.* Accordingly, the Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2016.

The Organization has its three previous years open to examination by federal tax jurisdictions. The Organization has not been informed by any tax authorities for any jurisdiction that any of its tax years are under examination as of June 30, 2016.

1. Summary of Significant Accounting Polices (Concluded)

K. Functional Allocation of Expenses:

The costs of providing the various services and other activities have been summarized on a functional basis in the statement of activities and supplemental schedule of functional expenses. Accordingly, certain costs have been allocated among the program and support services based on percentages provided by management.

L. 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, the 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. Accordingly, actual results could differ from those estimates.

2. Donated Service and Materials

Donated materials and equipment are recorded at their estimated fair market values on date of receipt and are reflected as contributions in the accompanying financial statements. Volunteers perform various services at the Organization. These services are significant and form an integral part of the efforts of the Organization. The Organization does not control the activities of volunteers as it would employees and there is not a clearly measurable basis for an amount of contributed services to be recorded. Therefore, the Organization does not record the amount of volunteers services rendered as contributions and a corresponding amount of expense.

The Organization occupies facilities provided by Wake County. The use of these facilities is valued at $101,682 for the year ended June 30, 2016 and has been recorded as revenue and expense in the financial statements. Also, the Organization reimburses Wake County for all expenses incurred for utilities and maintenance.

Various individuals and organizations donate significant services and materials to the Organization. The estimated value of these items was $1,653, which is reflected in the financial statements for the year ended June 30, 2016.

3. Fair Value of Financial Instruments

The Organization's financial statements include cash, cash equivalents, investments, and receivables. The carrying amounts of these financial instruments have been estimated by management to approximate fair value.

4. Fair Market Value Measurements

The Organization applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

LEARNING TOGETHER, INC.
Notes to Financial Statements
June 30, 2016

4. Fair Market Value Measurements (Continued)

Professional standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level One Input) and the lowest priority to measurements involving significant unobservable inputs (Level Three Inputs). The three levels of the fair value hierarchy are as follows:

- Level One Inputs – are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

- Level Two Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly.

- Level Three Inputs – are unobservable and significant to the overall fair value for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2016:

	Fair Value Measurement at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial Interests in Assets Held by Others	$	$ 111,987	$

The beneficial interests in assets held by others are valued based on quarterly statements provided by the Triangle Community Foundation, the third party who manages the funds.

5. Beneficial Interests in Assets Held by Others

The Organization holds two funds with the Triangle Community Foundation (TCF), a nonprofit organization that manages charitable funds. One fund, the Learning Together Fund, is a board-designated endowment fund with board designated transfers making up the principal of that fund. As an agency fund with TCF, the entire endowment is available to the Organization at any time, except for a minimum balance of $10,000 as required by TCF. The second fund, the Nell G. Barnes Fund, is a permanently restricted fund made up of external donations given to Learning Together, Inc. specifically for donation to that fund at TCF. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

LEARNING TOGETHER, INC.
Notes to Financial Statements
June 30, 2016

5. Beneficial Interests in Assets Held by Others (Continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing spending of the corpus of the Endowment, so long as it is necessary for the continuing operation of the entity and is being done in a responsible manner. However, the Board's policy is to maintain any original corpus that was permanently restricted by the donor and to recognize any other donor restrictions related to endowment gifts, such as restrictions on earnings. As a result, the Organization classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The investment returns and any appreciation or depreciation of the endowment assets on the Nell G. Barnes Fund are classified as unrestricted net assets. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Endowment Net Asset Composition by Type of Fund

	Learning Together Fund	Nell G. Barnes Fund		
	Board Designated, Unrestricted	Unrestricted	Permanently Restricted	Total
Endowment Net Assets--Beginning of Year	$ 82,664	$ 2,746	$ 27,419	$ 112,829
Contributions			100	100
Investment Return:				
Investment Income	1,017	205		1,222
Realized and Unrealized Losses	(17)	(1,036)		(1,053)
Other Changes:				
Administrative Fees	(818)	(293)		(1,111)
Endowment Net Assets--End of Year	$ 82,846	$ 1,622	$ 27,519	$ 111,987

See Note 9 for a complete discussion on Board designated net assets.

Permanently Restricted Net Assets

The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulations or by UPMIFA $ 27,519

LEARNING TOGETHER, INC.
Notes to Financial Statements
June 30, 2016

5. Beneficial Interests in Assets Held by Others (Continued)

Return Objective and Risk Parameters

The Organization has adopted investment policies for the long term endowment assets that seek to maintain and increase the corpus of the endowment assets for future use in its programs. Under this policy, as approved by the Board of Directors, the endowment portfolio is invested with an investment policy target of 30 percent in equities and 70 percent in fixed income instruments.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on TCF to pursue on its behalf a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's board has a policy of not spending any of the corpus until it grows to such an extent that a portion of its growth could be used to fund its programs while maintaining a sufficient corpus that can be held in perpetuity.

6. Accrued Leave

As of July 1, 2012, the Organization changed its policy to a personal leave policy that combined vacation, sick and personal leave time. The Organization allowed employees under the previous system to carry over up to 80 hours of leave in addition to starting with the new leave system on July 1, 2012. For subsequent year-ends, employees are allowed to carryover up to 120 hours of personal leave time. As of June 30, 2016, the Organization has a liability of $40,056 related to accrued leave under the previous grandfathered policy and the new policy. It is included in accrued expenses and payroll liabilities on the statement of financial position.

7. Leases

The Organization leased office equipment under a non-cancelable operating lease agreement ending in October 2019. As further discussed in Note 2, in-kind rental lease expense related to the use of Wake County's facilities totaled $101,682.

Lease expense for the year ended June 30, 2016 was $129,151 and includes the $101,682 of in-kind rental expense. Future minimum lease payments for the years ending June 30 are as follows:

Year Ending June 30		
2017	$	2,907
2018		2,892
2019		2,892
2020		723
	$	9,414

LEARNING TOGETHER, INC.
Notes to Financial Statements
June 30, 2016

8. Retirement Plan

The Organization has a tax-deferred annuity plan qualified under section 403(b) of the Internal Revenue Code. The plan allows full time employees 21 years and older to contribute a percentage of their annual salary up to the maximum amount allowed by the Internal Revenue Code. The Organization matches 50% of employee contributions up to 6% of pay and these contributions are matched once an employee has been employed for three years. The Organization's matching contributions for all employees for the year ended June 30, 2016 totaled $6,426.

9. Board Designated Net Assets

The Board designated net assets consist of amounts the board has voted to give to the Triangle Community Foundation's Learning Together Fund. As of June 30, 2016, the designated net assets totaled $82,846. The Learning Together Fund's purpose is to grow the principal so that the Organization's programs can be funded off its earnings.

10. Subsequent Events

Management of Learning Together, Inc. evaluated subsequent events through January 27, 2017, which is the date the financial statements were available to be issued. They discovered no subsequent events that should be disclosed.