

**CENTER FOR HEAD INJURY SERVICES**  
**FINANCIAL STATEMENTS**  
**WITH ADDITIONAL INFORMATION**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**YEARS ENDED JUNE 30, 2015 and 2014**

# Contents

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	<b><u>Page</u></b>
<b>Independent Auditors' Report</b>	1 - 2
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 16
<b>Additional Information</b>	
Independent Auditors' Report on Additional Information	17
Unit Cost Report for Productive Living Board Projects	18

## Independent Auditors' Report

Board of Directors  
Center for Head Injury Services  
St. Louis, Missouri

We have audited the accompanying financial statements of the Center for Head Injury Services (the "Center") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, 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.

### ***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 audits 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 on page 1 present fairly, in all material respects, the financial position of the Center for Head Injury Services as of June 30, 2015 and 2014, 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.

*Anders Minkler Huber & Helm LLP*

March 18, 2016

**Center for Head Injury Services  
Statements of Financial Position  
June 30, 2015 and 2014**

**Assets**

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash and cash equivalents	\$ 196,785	\$ 153,052
Accounts receivable, net	371,164	453,531
Grants receivable	73,610	238,395
Prepaid expenses	<u>16,373</u>	<u>18,011</u>
Total Current Assets	657,932	862,989
Property and Equipment, net	152,868	179,178
Other Assets	<u>31,813</u>	<u>12,413</u>
 Total Assets	 <u>\$ 842,613</u>	 <u>\$ 1,054,580</u>

**Liabilities and Net Assets**

Current Liabilities		
Current maturities of long-term debt	\$ 19,422	\$ 18,471
Line of credit	25,100	35,100
Accounts payable	54,253	152,668
Accrued expenses and other current liabilities	<u>94,702</u>	<u>70,997</u>
Total Current Liabilities	193,477	277,236
Long-term Debt	<u>40,478</u>	<u>59,854</u>
Total Liabilities	233,955	337,090
Net Assets		
Unrestricted	577,408	592,490
Temporary restricted	<u>31,250</u>	<u>125,000</u>
Total Net Assets	<u>608,658</u>	<u>717,490</u>
 Total Liabilities and Net Assets	 <u>\$ 842,613</u>	 <u>\$ 1,054,580</u>

**Center for Head Injury Services  
Statement of Activities  
Year Ended June 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015</u>
Revenue, Gains and Other Support			
Contributions	\$ 7,442	\$ -	\$ 7,442
Grants	214,528	31,250	245,778
Special events	59,084	-	59,084
In-kind contributions	2,500	-	2,500
Program fees	2,669,883	-	2,669,883
Other	<u>220,509</u>	<u>-</u>	<u>220,509</u>
	3,173,946	31,250	3,205,196
Net assets released from restrictions:			
Satisfaction of time and purpose restrictions	<u>125,000</u>	<u>(125,000)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>3,298,946</u>	<u>(93,750)</u>	<u>3,205,196</u>
Expenses			
Program Services			
Adult Day Program	279,726	-	279,726
Employment/ Vocational	1,033,285	-	1,033,285
Community Placement	143,185	-	143,185
Medical	473,777	-	473,777
Midwest Adult Autism Project	284,742	-	284,742
Destination Desserts	<u>341,391</u>	<u>-</u>	<u>341,391</u>
Total Program Services	<u>2,556,106</u>	<u>-</u>	<u>2,556,106</u>
Supporting Activities			
Management and general	653,365	-	653,365
Fundraising	<u>104,557</u>	<u>-</u>	<u>104,557</u>
Total Supporting Activities	<u>757,922</u>	<u>-</u>	<u>757,922</u>
Total Expenses	<u>3,314,028</u>	<u>-</u>	<u>3,314,028</u>
Change in Net Assets	(15,082)	(93,750)	(108,832)
Net Assets, Beginning of Year	<u>592,490</u>	<u>125,000</u>	<u>717,490</u>
Net Assets, End of Year	<u>\$ 577,408</u>	<u>\$ 31,250</u>	<u>\$ 608,658</u>

**Center for Head Injury Services  
Statement of Activities  
Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support			
Contributions	\$ 129,596	\$ -	\$ 129,596
Grants	307,516	125,000	432,516
Government contracts	-	-	-
Special events	60,526	-	60,526
In-kind contributions	4,500	-	4,500
Membership dues	-	-	-
Program Fees	2,472,897	-	2,472,897
Investment income	-	-	-
Net realized/unrealized gain (loss) on investments	-	-	-
Other	158,523	-	158,523
	<u>3,133,558</u>	<u>125,000</u>	<u>3,258,558</u>
Net assets released from restrictions			
Satisfaction of time and usage restrictions	-	-	-
Total Revenues, Gains and Other Support	<u>3,133,558</u>	<u>125,000</u>	<u>3,258,558</u>
Expenses			
Program Services			
Day Services	277,761	-	277,761
Employment/ Vocational	964,756	-	964,756
Community Placement	24,430	-	24,430
Medical	420,418	-	420,418
Midwest Adult Autism Project	333,068	-	333,068
Destination Desserts	407,193	-	407,193
Total Program Services	<u>2,427,626</u>	<u>-</u>	<u>2,427,626</u>
Supporting Activities			
Management and general	530,713	-	530,713
Fundraising	130,445	-	130,445
Total Supporting Activities	<u>661,158</u>	<u>-</u>	<u>661,158</u>
Total Expenses	<u>3,088,784</u>	<u>-</u>	<u>3,088,784</u>
Change in Net Assets	44,774	125,000	169,774
Net Assets, Beginning of Year	<u>547,716</u>	<u>-</u>	<u>547,716</u>
Net Assets, End of Year	<u>\$ 592,490</u>	<u>\$ 125,000</u>	<u>\$ 717,490</u>

**Center for Head Injury Services**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2015**

	Program Services							Supporting Activities			Total Expenses
	Adult Day Program	Employment/Vocational	Community Placement	Medical	Midwest Adult Autism Project	Destination Desserts	Total	Management and general	Fundraising	Total	
Salaries and wages	\$ 186,536	\$ 781,212	\$ 116,821	\$ 191,534	\$ 197,746	\$ 190,161	\$ 1,664,010	\$ 298,241	\$ 64,596	\$ 2,026,847	
Payroll taxes	14,421	61,000	8,074	14,285	15,160	14,677	127,617	45,033	4,440	177,090	
Employee benefits	16,401	60,557	10,466	6,935	11,980	15,780	122,119	30,191	7,118	159,428	
Advertising	-	54	-	-	-	-	54	400	275	729	
Client assistance	1,233	171	-	-	-	-	1,404	-	-	1,404	
Dues and subscriptions	660	1,424	-	-	-	314	2,398	10,192	936	13,526	
Equipment	-	759	-	228,332	-	415	229,506	1,479	600	231,585	
Insurance	-	-	-	-	-	-	-	86,986	-	86,986	
Interest expense	-	-	-	-	-	3,580	3,580	1,253	-	4,833	
Licenses	100	645	-	-	65	5,142	5,952	208	-	6,160	
Maintenance	185	227	-	-	214	5,354	5,980	14,984	-	20,964	
Meals	11,690	140	-	26	-	-	11,856	1,626	158	13,640	
Miscellaneous	30	907	-	290	711	12,293	14,231	7,650	-	21,881	
Occupancy	35,511	43,691	1,544	23,412	46,956	10,808	161,922	49,187	3,088	214,197	
Postage	-	206	-	-	-	207	413	2,084	203	2,700	
Printing	-	1,145	-	-	39	1,608	2,792	741	3,477	7,010	
Professional fees	-	557	-	-	-	2,488	3,045	43,020	3,232	49,297	
Seminars	350	425	-	-	200	60	1,035	770	335	2,140	
Special events	-	-	-	-	-	-	-	-	14,763	14,763	
Subcontractors	2,434	3,100	-	-	-	-	5,534	800	-	6,334	
Supplies	2,153	6,674	15	1,212	1,484	65,355	76,893	16,249	247	93,389	
Telephone	793	3,494	352	761	576	2,353	8,329	1,304	307	9,940	
Training	199	358	-	27	630	-	1,214	3,773	105	5,092	
Transportation	-	33,668	-	-	-	-	33,668	474	-	34,142	
Travel	506	23,369	5,627	4,241	1,966	8,851	44,560	1,745	106	46,411	
Utilities	6,524	9,502	286	2,722	7,015	1,945	27,994	9,141	571	37,706	
<b>Total Expense Before Depreciation and Amortization</b>	<b>279,726</b>	<b>1,033,285</b>	<b>143,185</b>	<b>473,777</b>	<b>284,742</b>	<b>341,391</b>	<b>2,556,106</b>	<b>627,531</b>	<b>104,557</b>	<b>3,288,194</b>	
Depreciation and amortization	-	-	-	-	-	-	-	25,834	-	25,834	
<b>Total Expenses</b>	<b>\$ 279,726</b>	<b>\$ 1,033,285</b>	<b>\$ 143,185</b>	<b>\$ 473,777</b>	<b>\$ 284,742</b>	<b>\$ 341,391</b>	<b>\$ 2,556,106</b>	<b>\$ 653,365</b>	<b>\$ 104,557</b>	<b>\$ 3,314,028</b>	

See notes to financial statements



**Center for Head Injury Services**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2014**

	Program Services						Supporting Activities			Total Expenses
	Adult Day Program	Employment/Vocational	Community Placement	Medical	Midwest Adult Autism Project	Destination Desserts	Management and general	Fundraising	Total	
Salaries and wages	\$ 195,504	\$ 736,261	\$ 22,394	\$ 174,986	\$ 207,136	\$ 212,989	\$ 223,650	\$ 60,206	\$ 1,549,250	\$ 1,833,106
Payroll taxes	14,329	54,065	-	13,128	15,359	15,517	35,968	4,457	112,398	152,823
Employee benefits	19,206	44,511	1,154	10,568	19,310	16,916	24,139	3,063	111,665	138,867
Advertising	-	125	-	-	50	400	125	-	575	700
Client assistance	4	1,226	-	-	-	-	1,230	-	1,230	1,230
Dues and subscriptions	280	163	-	-	-	365	1,358	331	808	2,497
Equipment	-	9,146	-	193,849	103	35,533	4,842	-	238,631	243,473
Insurance	-	-	-	-	-	-	89,289	-	-	89,289
Interest expense	-	-	-	-	-	-	1,701	-	4,444	6,145
Licenses	100	-	-	-	-	4,444	276	-	6,338	6,614
Maintenance	271	1,137	-	77	3,277	4,272	12,126	-	9,034	21,160
Meals	8,147	195	-	-	-	-	1,209	45	8,342	9,596
Miscellaneous	801	1,256	21	23	484	1,035	19,644	10	3,620	23,274
Occupancy	29,570	41,849	375	18,554	71,559	14,458	27,156	19,292	176,365	222,813
Postage	13	287	-	-	-	881	1,853	458	1,181	3,492
Professional fees	-	-	-	-	-	1,025	28,959	2,291	1,025	32,275
Seminars	517	420	-	-	321	30	530	1,080	1,258	2,868
Special events	-	-	-	-	-	-	-	24,644	-	24,644
Subcontractors	-	4,225	-	-	-	13,262	-	6,500	17,487	23,987
Supplies	2,428	4,208	10	806	2,227	63,789	21,074	3,403	73,468	97,945
Telephone	891	2,795	150	1,929	878	2,471	1,080	854	9,114	11,048
Training	45	2,132	-	143	1,131	-	3,360	287	3,451	7,098
Transportation	-	28,868	-	-	-	-	-	-	28,868	28,868
Travel	25	24,600	278	2,877	842	9,878	3,130	-	38,500	41,630
Utilities	5,630	7,287	48	3,478	10,391	3,710	3,410	3,524	30,544	37,478
<b>Total Expense Before Depreciation and Amortization</b>	<b>277,761</b>	<b>964,756</b>	<b>24,430</b>	<b>420,418</b>	<b>333,068</b>	<b>407,193</b>	<b>504,879</b>	<b>130,445</b>	<b>2,427,626</b>	<b>3,062,950</b>
Depreciation and amortization	-	-	-	-	-	-	25,834	-	-	25,834
<b>Total Expenses</b>	<b>\$ 277,761</b>	<b>\$ 964,756</b>	<b>\$ 24,430</b>	<b>\$ 420,418</b>	<b>\$ 333,068</b>	<b>\$ 407,193</b>	<b>\$ 530,713</b>	<b>\$ 130,445</b>	<b>\$ 2,427,626</b>	<b>\$ 3,088,784</b>

**Center for Head Injury Services  
Statements of Cash Flows  
Year Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ (108,832)	\$ 169,774
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	25,834	25,834
Loss on disposal of equipment	476	-
(Increase) decrease in assets:		
Accounts receivable	82,367	(92,934)
Grants receivable	164,785	(77,886)
Prepaid expenses	1,638	(6,003)
Other assets	(19,400)	-
Increase (decrease) in liabilities:		
Accounts payable	(98,415)	65,515
Accrued expenses and other current liabilities	23,705	(660)
Net Cash Provided by Operating Activities	<u>72,158</u>	<u>83,640</u>
 <b>Cash Flows From Financing Activities</b>		
Borrowings on line of credit	-	21,700
Payments on line of credit	(10,000)	(20,000)
Payments on long-term debt	<u>(18,425)</u>	<u>(17,560)</u>
Net Cash Used in Financing Activities	<u>(28,425)</u>	<u>(15,860)</u>
 Net Increase in Cash and Cash Equivalents	 43,733	 67,780
Cash and Cash Equivalents, Beginning of Year	<u>153,052</u>	<u>85,272</u>
Cash and Cash Equivalents, End of Year	<u>\$ 196,785</u>	<u>\$ 153,052</u>
 <b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid for		
Interest	<u>\$ 4,833</u>	<u>\$ 6,146</u>

**Center for Head Injury Services  
Notes to Financial Statements  
June 30, 2015 and 2014**

**1. Nature of Operations and Basis of Presentation**

**Organization**

Center for Head Injury Services (the "Center") was established in 1990 as a not-for-profit organization whose mission is to enhance the lives of people with brain injuries, autism and other developmental disabilities through a full continuum of community based services. The Center's principal activities consist of low-cost programs to provide cognitive enrichment; training to improve social, recreational and leisure skills; training in adaptive physical fitness; experience in activities of daily living; family respite; and assistance to the clients to maximize prevocational potential and aid in eventual assimilation into the community. The Center's clients are drawn from St. Louis City and the surrounding Missouri counties. Any Missouri resident is eligible to participate in the Center's programs.

The Center offers the following programs:

**Day Services**

**Adult Day Program**

The Center's day programs are tailored to the health and rehabilitation needs of the participants. This is accomplished with a variety of services and supervised activities. Individualized program goals are established to build skills for independence that enable the participants to continue to live and participate in their community.

The services provided in the adult day program for persons with brain injuries or other cognitive impairments include, but are not limited to: health services and medication management as needed, cognitive and physical restorative rehabilitation therapies, training and assistance with activities of daily living and work related skills, therapeutic recreational activities and physical training, and behavioral programming and social skills training. This is accomplished through individualized goal setting and progress monitoring.

**Midwest Adult Autism Project (MAAP)**

Included in the Center's day services is the Midwest Adult Autism Project. This program provides integrated therapies designed specifically for persons with severe autism in a structured day program setting. The program serves patients with severe autism who are not eligible to participate in school system provided programs due to age. This program provides continuing speech/communication, sensory, occupational and applied behavioral analysis therapy to improve the young adults' ability to function in their home and community as an alternative to institutional placement.

**Center for Head Injury Services**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Vocational/Employment Services**

This program gives people who have sustained a brain injury or other neurological impairment the opportunity to evaluate and build their work potential. Medical therapists and licensed counselors provide work-oriented neuro-rehabilitation activities such as physical and cognitive assessments, assessing work capabilities, treatment to improve physical and mental stamina, neuropsychological evaluations, independent living assessments, compensatory strategy training, accommodation and technology training, disability adjustment counseling and behavior therapies. After the person meets their rehabilitation goals, employment specialists continue training as needed in other areas to develop a successful work personality by building work skills in the areas of orientation to work rules and expectations. Employment specialists also provide assistance to improve job seeking and interviewing skills and to obtain employment. Once employed, the Center provides continuing employment support to assist the individual in maintaining employment.

**Medical Services**

**Outpatient Rehabilitation**

This program includes physical, occupational and speech therapies specifically designed to meet participants' individual needs.

**Comprehensive Medical Rehabilitation**

This program provides more frequent therapies. Traditional therapies and counseling services are available up to five days a week depending on the needs of the individual. Full and partial day rehabilitation programs are offered.

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the provisions of Financial Accounting Standards Board ("FASB"), Accounting Standards Codification (the "FASB ASC"), which is the source of authoritative, non-governmental accounting principles generally accepted in the United States of America ("GAAP"). All references to authoritative accounting guidance contained in our disclosures are based on the general accounting topics within the FASB ASC.

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

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. Board designated funds are established by the Board of Directors and represent unrestricted net assets that have been set aside for future needs.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time.

**Center for Head Injury Services**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

Permanently restricted net assets - Net assets subject to donor-imposed stipulations required to be maintained permanently by the Center. The income earned on any related investments may also be subject to donor-imposed stipulations. No permanently restricted net assets were held during the year ended June 30, 2015 and, accordingly, these financial statements do not reflect any activity related to this class of net assets.

**2. Summary of Significant Accounting Policies**

**Use of Estimates**

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

**Fair Value Measurements**

The Center follows guidance issued by the FASB on fair value measurements, which establishes a framework for measuring fair value, clarifies the definition of fair value within that framework, and expands disclosures about the use of fair value measurements. This guidance applies whenever fair value is the applicable measurement. The three general valuation techniques used to measure fair value are the market approach, cost approach, and income approach.

Carrying amounts of certain financial instruments such as cash and cash equivalents, accounts receivable, grants receivable, prepaid expenses, line of credit, accounts payable, accrued expenses and other current liabilities, and notes payable approximate fair value due to their short maturities or because the terms are similar to market terms. There have been no changes in the methodologies used at June 30, 2015 and 2014.

**Cash and Cash Equivalents**

The Center considers all short-term investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

**Accounts Receivable**

Accounts receivable are uncollateralized client and third party obligations due under normal trade terms generally requiring payment within 30 days of the invoice date.

The Center provides an allowance for doubtful accounts equal to the estimated losses that will be incurred in the collection of accounts receivable. This estimate is based on historical experience coupled with a review of the current status of existing receivables. The allowance and associated accounts receivable are reduced when the receivables are determined to be uncollectible. The allowance for doubtful accounts totaled \$6,000 and \$10,000 at June 30, 2015 and 2014, respectively.

**Center for Head Injury Services**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Grants Receivable**

Grants receivable include amounts due from various funding sources under binding contracts with the Center for services rendered prior to year-end.

**Property and Equipment**

Purchased property and equipment is stated at cost and donated assets are recorded at fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Major additions and improvements are capitalized, while maintenance and repairs are expensed as incurred. When assets are sold or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss arising from such disposition is included as income or expense in the year of disposition.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the life of the related asset or the term of the lease.

The estimated lives for computing depreciation and amortization on property and equipment are:

<u>Classification</u>	<u>Years</u>
Leasehold improvements	7-10
Furniture and fixtures	5-7
Machinery and equipment	5-7
Vehicles	5

**Long-Lived Asset Impairment**

The Center evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2015 and 2014.

**Center for Head Injury Services**  
**Notes to Financial Statements**  
**June 30, 2015 and 2014**

**Support and Revenue**

Contributions, including unconditional promises to give, are recorded as received. All contributions are available for unrestricted use unless specifically restricted by the donor. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Donor restricted contributions in which the restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

Government contracts and program fees are recognized as income in the period that specific services are provided.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Center's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as their use by the donor. Accordingly, those donations are recorded as support increasing temporarily restricted net assets. The Center reclassifies temporarily restricted net assets to unrestricted net assets each year in the amount of the donated property and equipment's depreciation expense.

**Donated Materials and Services (In Kind)**

Donated noncash assets are recorded as contributions at their fair values at the date of donation. The estimated fair value of donated materials and services were approximately \$2,500 and \$4,500 for the years ended June 30, 2015 and 2014, respectively.

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Center. Volunteers provided various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

**Functional Expense Allocation**

The Center allocates expenses on a functional basis among various programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various statistical bases.

**Center for Head Injury Services  
Notes to Financial Statements  
June 30, 2015 and 2014**

**Income Taxes**

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"), except on net income derived from unrelated business activities as defined in the Code. Accordingly, the Center files as a tax exempt organization.

The Center follows guidance issued by the FASB on accounting for income taxes and has evaluated its tax positions, expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, and believes that no provision for income taxes is necessary to cover any uncertain tax positions. The Center's returns for tax years 2011 and later remain subject to examination by taxing authorities.

**Subsequent Events**

The Center has evaluated subsequent events through March 18, 2016, the date the financial statements were available to be issued.

**3. Grants Receivable**

Grants receivable at June 30, are as follows:

	<u>2015</u>	<u>2014</u>
Poses Foundation	\$ 31,250	\$ -
Developmental Disability Resources	36,658	24,725
Productive Living Board	5,702	88,670
Kessler Foundation	-	125,000
	<u>\$ 73,610</u>	<u>\$ 238,395</u>

**4. Property and Equipment**

Property and equipment are as follows:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 97,857	\$ 110,779
Furniture and fixtures	24,129	28,679
Machinery and equipment	42,635	65,325
Vehicles	<u>108,885</u>	<u>108,885</u>
	273,506	313,668
Less accumulated depreciation and amortization	<u>120,637</u>	<u>134,490</u>
	<u>\$ 152,869</u>	<u>\$ 179,178</u>

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 totaled \$25,834 and \$25,834, respectively.



**Center for Head Injury Services  
Notes to Financial Statements  
June 30, 2015 and 2014**

**5. Line of Credit**

The Center has available a line of credit of \$150,000 scheduled to expire in September 2015. Borrowings are charged interest at the prime rate (3.25 percent at June 30, 2015), but no less than 4.75 percent per annum, and are secured by the Center's assets. At June 30, 2015 and 2014, borrowings outstanding under the line of credit totaled \$25,100 and \$35,100, respectively.

**6. Long-Term Debt**

Long-term debt is as follows:

	2015	2014
Note payable, secured by vehicle, interest at 5.0 percent, monthly payments of \$1,884 including interest, maturing in June 2018.	\$ 59,900	\$ 78,325
Less current maturities	19,422	18,471
	\$ 40,478	\$ 59,854

Maturities of long-term debt as of June 30, 2015 are as follows:

June 30,		
2016	\$	19,422
2017		20,437
2018		20,041
	\$	59,900

**7. Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes or periods:

	June 30,	
	2015	2014
Time restrictions	\$ 31,250	\$ 125,000

**Center for Head Injury Services  
Notes to Financial Statements  
June 30, 2015 and 2014**

Assets released from restrictions for the years ended June 30, are as follows:

	2015	2014
Released from restrictions of time	\$ 125,000	\$ -

**8. Retirement Plans**

The Center maintains a contributory retirement savings plan under Section 401(k) of the Internal Revenue Code covering substantially all employees who meet certain eligibility requirements. There were no employer contributions to the plan for the years ended June 30, 2015 and 2014.

Employees are eligible to participate upon hiring. Benefits under the plan depend solely on amounts contributed to the plan plus investment earnings and forfeitures of other participants' benefits that may be allocated to such participant's account

**9. Risks and Uncertainties**

**Concentrations of Risk**

Financial instruments, which potentially subject the Center to concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable and grants receivable.

The Center maintains its cash primarily with one financial institution. Deposits at this bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. As of June 30, 2015, the balances were fully insured. The Center performs ongoing credit evaluations of its patients and maintains allowances, as needed, for potential credit losses. Although the Center is directly affected by the financial stability of its client base, management does not believe significant credit risk exists at June 30, 2015.

**10. Commitments and Contingencies**

**Leases**

The Center leases office space under noncancellable operating leases. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	
2016	\$ <u>107,608</u>

Rent expense related to operating leases for the years ended June 30, 2015 and 2014 totaled approximately \$214,197 and \$222,813, respectively.