

CENTER FOR HEAD INJURY SERVICES
FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED JUNE 30, 2017 AND 2016

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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 "Organization") (a not-for-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center for Head Injury Services as of June 30, 2017 and 2016, 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 & Helms LLP

February 6, 2018

**Center for Head Injury Services
Statements of Financial Position
June 30, 2017 and 2016**

Assets

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 275,125	\$ 20,202
Accounts receivable, net	649,130	476,878
Grants receivable	-	23,248
Prepaid expenses	11,302	14,880
Total Current Assets	935,557	535,208
Property and Equipment, net	2,743,757	1,181,648
Other Assets	1,475	11,813
	\$ 3,680,789	\$ 1,728,669

Liabilities and Net Assets

Current Liabilities		
Current maturities of long-term debt	\$ 1,855,398	\$ 555,146
Line of credit	-	117,693
Accounts payable	326,545	186,057
Accrued expenses and other current liabilities	70,990	33,928
Total Current Liabilities	2,252,933	892,824
Long-term Debt	534,905	395,174
Total Liabilities	2,787,838	1,287,998
Net Assets		
Unrestricted	680,671	429,467
Temporary restricted	212,280	11,204
Total Net Assets	892,951	440,671
	\$ 3,680,789	\$ 1,728,669

**Center for Head Injury Services
Statement of Activities
Year Ended June 30, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support			
Contributions	\$ 121,465	\$ 203,744	\$ 325,209
Grants	416,073	8,536	424,609
Special events	169,953	-	169,953
Program fees	2,809,689	-	2,809,689
Other	<u>115,415</u>	<u>-</u>	<u>115,415</u>
	3,632,595	212,280	3,844,875
Net assets released from restrictions:			
Satisfaction of time and purpose restrictions	<u>11,204</u>	<u>(11,204)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>3,643,799</u>	<u>201,076</u>	<u>3,844,875</u>
Expenses			
Program Services			
Adult Day Program	484,642	-	484,642
Employment/ Vocational	753,871	-	753,871
Community Placement	430,259	-	430,259
Medical	235,000	-	235,000
Midwest Adult Autism Project	351,491	-	351,491
Destination Desserts	<u>353,674</u>	<u>-</u>	<u>353,674</u>
Total Program Services	<u>2,608,937</u>	<u>-</u>	<u>2,608,937</u>
Supporting Activities			
Management and general	602,437	-	602,437
Fundraising	<u>181,221</u>	<u>-</u>	<u>181,221</u>
Total Supporting Activities	<u>783,658</u>	<u>-</u>	<u>783,658</u>
Total Expenses	<u>3,392,595</u>	<u>-</u>	<u>3,392,595</u>
Change in Net Assets	251,204	201,076	452,280
Net Assets, Beginning of Year	<u>429,467</u>	<u>11,204</u>	<u>440,671</u>
Net Assets, End of Year	<u>\$ 680,671</u>	<u>\$ 212,280</u>	<u>\$ 892,951</u>

**Center for Head Injury Services
Statement of Activities
Year Ended June 30, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support			
Contributions	\$ 21,443	\$ -	\$ 21,443
Grants	161,204	11,204	172,408
Special events	147,317	-	147,317
Program Fees	2,622,614	-	2,622,614
Other	<u>192,096</u>	<u>-</u>	<u>192,096</u>
	<u>3,144,674</u>	<u>11,204</u>	<u>3,155,878</u>
Net assets released from restrictions			
Satisfaction of time and usage restrictions	<u>31,250</u>	<u>(31,250)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>3,175,924</u>	<u>(20,046)</u>	<u>3,155,878</u>
Expenses			
Program Services			
Adult Day Program	452,858	-	452,858
Employment/ Vocational	757,493	-	757,493
Community Placement	402,005	-	402,005
Medical	208,447	-	208,447
Midwest Adult Autism Project	343,792	-	343,792
Destination Desserts	<u>374,201</u>	<u>-</u>	<u>374,201</u>
Total Program Services	<u>2,538,796</u>	<u>-</u>	<u>2,538,796</u>
Supporting Activities			
Management and general	571,807	-	571,807
Fundraising	<u>213,262</u>	<u>-</u>	<u>213,262</u>
Total Supporting Activities	<u>785,069</u>	<u>-</u>	<u>785,069</u>
Total Expenses	<u>3,323,865</u>	<u>-</u>	<u>3,323,865</u>
Change in Net Assets	(147,941)	(20,046)	(167,987)
Net Assets, Beginning of Year	<u>577,408</u>	<u>31,250</u>	<u>608,658</u>
Net Assets, End of Year	<u>\$ 429,467</u>	<u>\$ 11,204</u>	<u>\$ 440,671</u>

**Center for Head Injury Services
Statement of Functional Expenses
Year Ended June 30, 2017**

	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	
Salaries and wages	\$ 338,740	\$ 504,232	\$ 298,221	\$ 173,243	\$ 218,589	\$ 187,615	\$ 1,720,640	\$ 248,626	\$ 103,497	\$ 2,072,763
Payroll taxes	27,845	41,273	24,410	13,869	18,574	14,473	140,444	19,107	7,957	167,508
Employee benefits	36,235	68,398	41,353	21,818	26,405	31,197	225,406	32,637	17,855	275,898
Advertising	-	-	-	-	-	-	-	250	151	401
Client assistance	50	166	24	51	31	-	322	-	-	322
Dues and subscriptions	1,335	80	-	26	45	143	1,629	19,218	1,541	22,388
Equipment	-	-	-	-	41	2,019	2,060	10,139	-	12,199
Insurance	-	-	-	-	-	-	-	40,168	-	40,168
Interest expense	-	-	-	-	-	1,571	1,571	54,531	-	56,102
Licenses	111	43	-	-	-	4,278	4,432	231	-	4,663
Maintenance	2,281	5,245	1,967	757	2,533	3,640	16,423	7,439	550	24,412
Miscellaneous	-	14	2,169	280	15	(6,960)	(4,482)	5,419	23	960
Occupancy	34,896	88,705	33,092	18,144	42,617	34,044	251,498	20,594	9,253	281,345
Postage	231	-	-	-	-	126	357	2,205	513	3,075
Printing	-	101	68	97	-	1	267	1,122	1,283	2,672
Professional fees	-	-	-	-	8,475	2,556	11,031	56,793	1,931	69,755
Seminars	25	448	235	-	-	1,152	1,860	500	-	2,360
Special Events	-	-	-	-	-	-	-	-	23,773	23,773
Subcontractors	10,282	-	2,703	-	22,596	-	35,581	29,037	9,638	74,256
Supplies	1,045	773	519	904	723	65,116	69,080	14,358	419	83,857
Telephone	3,093	4,142	2,429	517	1,327	2,569	14,077	1,449	437	15,963
Training	256	1,122	336	-	333	225	2,272	216	230	2,718
Travel	21,313	21,670	16,187	2,773	756	3,308	66,007	2,690	339	69,036
Utilities	6,904	17,459	6,546	2,521	8,431	6,601	48,462	4,042	1,831	54,335
Total Expense Before Depreciation and Amortization	484,642	753,871	430,259	235,000	351,491	353,674	2,608,937	570,771	181,221	3,360,929
Depreciation and amortization	-	-	-	-	-	-	-	31,666	-	31,666
Total Expenses	<u>\$ 484,642</u>	<u>\$ 753,871</u>	<u>\$ 430,259</u>	<u>\$ 235,000</u>	<u>\$ 351,491</u>	<u>\$ 353,674</u>	<u>\$ 2,608,937</u>	<u>\$ 602,437</u>	<u>\$ 181,221</u>	<u>\$ 3,392,595</u>

**Center for Head Injury Services
Statement of Functional Expenses
Year Ended June 30, 2016**

	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	
Salaries and wages	\$ 319,051	\$ 522,258	\$ 276,832	\$ 159,414	\$ 246,649	\$ 193,804	\$ 1,718,008	\$ 287,577	\$ 106,261	\$ 2,111,846
Payroll taxes	26,283	44,023	23,272	13,270	21,594	16,173	144,615	22,920	8,247	175,782
Employee benefits	36,930	71,236	37,101	13,594	29,561	28,352	216,774	32,235	18,871	267,880
Advertising	-	-	-	-	-	-	-	-	809	809
Client assistance	-	126	-	99	-	-	225	-	-	225
Dues and subscriptions	1,215	27	-	13	35	2,664	3,954	17,358	1,208	22,520
Equipment	-	-	-	-	-	587	587	10,258	-	10,845
Insurance	-	-	-	-	-	-	-	38,167	-	38,167
Interest expense	-	-	-	-	-	2,009	2,009	24,755	-	26,764
Licenses	-	-	-	60	-	6,446	6,506	18,746	-	25,252
Maintenance	561	1,418	532	205	1,457	6,392	10,565	12,775	149	23,489
Miscellaneous	25	175	-	50	-	335	585	(6,684)	-	(6,099)
Occupancy	25,945	65,960	24,599	13,672	31,682	26,440	188,298	15,310	6,879	210,487
Postage	-	-	37	-	-	719	756	2,123	1,161	4,040
Printing	-	283	-	78	-	630	991	1,698	3,081	5,770
Professional fees	-	-	-	-	-	3,414	3,414	38,149	1,081	42,644
Seminars	100	613	-	-	200	60	973	3,178	125	4,276
Special Events	-	-	-	-	-	-	-	-	59,715	59,715
Subcontractors	10,089	6,807	11,649	-	2,049	3,016	33,610	7,118	-	40,728
Supplies	(216)	945	1,441	1,125	582	69,513	73,390	15,518	3,165	92,073
Telephone	1,443	4,415	1,924	381	1,274	2,559	11,996	623	277	12,896
Training	266	1,418	255	46	440	54	2,479	(630)	134	1,983
Travel	25,080	22,399	18,593	4,218	837	5,011	76,138	2,273	485	78,896
Utilities	6,086	15,390	5,770	2,222	7,432	6,023	42,923	3,591	1,614	48,128
Total Expense Before Depreciation and Amortization	452,858	757,493	402,005	208,447	343,792	374,201	2,538,796	547,058	213,262	3,299,116
Depreciation and amortization	-	-	-	-	-	-	-	24,749	-	24,749
Total Expenses	<u>\$ 452,858</u>	<u>\$ 757,493</u>	<u>\$ 402,005</u>	<u>\$ 208,447</u>	<u>\$ 343,792</u>	<u>\$ 374,201</u>	<u>\$ 2,538,796</u>	<u>\$ 571,807</u>	<u>\$ 213,262</u>	<u>\$ 3,323,865</u>

**Center for Head Injury Services
Statements of Cash Flows
Year Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 452,280	\$ (167,987)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	31,666	24,749
Loss on disposal of equipment	71,863	13,578
(Increase) decrease in assets:		
Accounts receivable, net	(172,252)	(105,714)
Grants receivable	23,248	50,362
Prepaid expenses	3,578	1,493
Other assets	10,338	20,000
Increase (decrease) in liabilities:		
Accounts payable	140,487	131,804
Accrued expenses and other current liabilities	<u>37,062</u>	<u>(60,774)</u>
Net Cash Provided by (Used in) Operating Activities	<u>598,270</u>	<u>(92,489)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(1,670,280)	(1,067,106)
Proceeds from sale of equipment	<u>4,642</u>	<u>-</u>
Net Cash Used in Investing Activities	<u>(1,665,638)</u>	<u>(1,067,106)</u>
Cash Flows From Financing Activities		
Borrowings on line of credit	32,307	92,593
Payments on line of credit	(150,000)	-
Proceeds from long-term debt	1,460,417	910,101
Payments on long-term debt	<u>(20,433)</u>	<u>(19,682)</u>
Net Cash Provided By Financing Activities	<u>1,322,291</u>	<u>983,012</u>
Net Increase (Decrease) in Cash and Cash Equivalents	254,923	(176,583)
Cash and Cash Equivalents, Beginning of Year	<u>20,202</u>	<u>196,785</u>
Cash and Cash Equivalents, End of Year	<u>\$ 275,125</u>	<u>\$ 20,202</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for		
Interest	<u>\$ 56,102</u>	<u>\$ 26,764</u>

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2017 and 2016**

1. Nature of Operations and Basis of Presentation

Organization

Center for Head Injury Services (the "Organization") 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 Organization'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 Organization's clients are drawn from St. Louis City and the surrounding Missouri counties. Any Missouri resident is eligible to participate in the Organization's programs.

In 2016, the Organization launched a capital campaign that concluded in 2017. The purpose of this capital campaign was to raise money for a new building, which the Organization now occupies. The Organization took out a bank loan totaling \$2.2 million to pay for this property. The capital campaign was used to cover additional costs not covered by this loan. The capital campaign raised money through individual donors, as well as grant programs such as the Mabee Project. Due to the capital campaign, cash, contributions and property and equipment were significantly higher in 2017.

The Organization offers the following programs:

Day Services

Adult Day Program

The Organization'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.

Center for Head Injury Services
Notes to Financial Statements
June 30, 2017 and 2016

Midwest Adult Autism Project (MAAP)

Included in the Organization'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.

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 Organization 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 the 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.

Center for Head Injury Services
Notes to Financial Statements
June 30, 2017 and 2016

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 Organization 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. There were no board designated funds at June 30, 2017 and 2016.

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

Permanently restricted net assets - Net assets subject to donor-imposed stipulations required to be maintained permanently by the Organization. The income earned on any related investments may also be subject to donor-imposed stipulations. As of June 30, 2017 and 2016, there were no permanently restricted 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 Organization 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, 2017 and 2016.

Cash and Cash Equivalents

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

Center for Head Injury Services
Notes to Financial Statements
June 30, 2017 and 2016

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 Organization 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 as of June 30, 2017 and 2016.

Grants Receivable

Grants receivable include amounts due from various funding sources under binding contracts with the Organization 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>
Buildings	40
Leasehold improvements	7-10
Furniture and fixtures	5-7
Machinery and equipment	5-7
Vehicles	5

Center for Head Injury Services
Notes to Financial Statements
June 30, 2017 and 2016

Long-Lived Asset Impairment

The Organization 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, 2017 and 2016.

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.

Functional Expense Allocation

The Organization 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.

Income Taxes

The Organization 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 Organization files as a tax exempt organization.

The Organization 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 Organization's returns for tax years 2013 and later remain subject to examination by taxing authorities.

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2017 and 2016**

Subsequent Events

The Organization has evaluated subsequent events through February 6, 2018, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

The FASB has issued new guidance on the recognition of revenue from contracts with customers. This guidance requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity should apply a five step process to (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The guidance also requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance will be required for the first fiscal year beginning after December 15, 2018. Based on a preliminary analysis, the Organization has not yet determined what impact, if any, this new guidance will have on its financial statements.

Not-for-profit Entities

The FASB has issued new guidance on financial reporting for not-for-profit entities. The guidance requires a not-for-profit entity to present on the face of the statement of financial position amounts for two classes of net assets at the end of the period, rather than that of the currently required three classes. That is, a not-for-profit entity will report amounts for net assets with donor restrictions and net assets without donor restrictions. Not-for-profit entities will continue reporting the currently required amount of the change in total net assets for the period. The guidance also requires a not-for-profit entity to present on the face of the statement of cash flows the net amount for operating cash flows using either the direct or indirect method of reporting but no longer requires the presentation or disclosure of the indirect method (reconciliation) if using the direct method. The guidance also requires enhanced disclosures about the following:

- Amounts and purposes of governing board designations, appropriations, etc.,
- Composition of net assets with donor restrictions at the end of the period,
- Qualitative information that communicates how an entity manages its liquid resources,
- Quantitative and additional qualitative information as necessary that communicates the availability of an entity's financial assets,
- Amounts of expenses by both their natural classification and their functional classification,
- Method(s) used to allocate costs among program and support functions,
- Underwater endowment funds.

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The guidance also requires that the Organization report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses. The guidance also require that the Organization use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset.

The guidance will be required for the first fiscal year beginning after December 15, 2017. Based on a preliminary analysis, the Organization does expect the new guidance will have a significant impact on its financial statements.

3. Grants Receivable

Grants receivable at June 30, are as follows:

	2017	2016
Developmental Disability Resources	\$ -	\$ 23,248

4. Property and Equipment

Property and equipment at June 30, are as follows:

	2017	2016
Land	\$ 162,914	\$ -
Buildings	2,039,360	-
Construction in progress	516,716	1,067,107
Leasehold improvements	-	89,107
Furniture and fixtures	18,948	24,129
Machinery and equipment	24,330	34,859
Vehicles	108,885	108,885
	2,871,153	1,324,087
Less accumulated depreciation and amortization	127,396	142,439
	\$ 2,743,757	\$ 1,181,648

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 totaled \$31,666 and \$24,749, respectively.

5. Line of Credit

The Organization has available a line of credit of \$150,000, which was subsequently extended to expire in September 2018. Borrowings are charged interest at the prime rate (4.25 percent at June 30, 2017), but no less than 4.75 percent per annum, and are secured by the Organization's assets. At June 30, 2016, borrowings outstanding under the line of credit totaled \$117,693. There were no borrowings outstanding under the line of credit at June 30, 2017.

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6. Long-Term Debt

Long-term debt is as follows:

	2017	2016
Note payable, secured by vehicle, interest at 5 percent, monthly payments of \$1,884 including interest, maturing in June 2018.	\$ 19,785	\$ 40,219
Note payable, secured by real property on Lackland, interest of 4.675 percent, maturing in March 2018.	1,835,613	534,709
Mortgage payable, secured by deed of trust, payable when the Organization sells, trades or disposes of the Morganford property.	534,905	375,392
	2,390,303	950,320
Less current maturities	1,855,398	555,146
	\$ 534,905	\$ 395,174

Maturities of long-term debt as of June 30, 2017 are as follows:

<u>June 30,</u>	
2018	\$ 1,855,398
Thereafter	534,905
	\$ 2,390,303

7. Restricted Net Assets

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

	June 30, 2017	2016
Purpose restrictions	\$ 212,280	\$ 11,204

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

	2017	2016
Released from restrictions of time	\$ 11,204	\$ 31,250

8. Retirement Plans

The Organization 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, 2017 and 2016.

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9. Risks and Uncertainties

Concentrations

Contributions from three sources were approximately 64 and 82 percent of the Organization's revenue and other support during the years ended June 30, 2017 and 2016, respectively. Accounts receivable from five sources were approximately 88 and 57 percent of the Organization's accounts receivable at June 30, 2017 and 2016, respectively.

Concentrations of Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents, accounts receivable and grants receivable. The Organization 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, 2017, the balances were fully insured. The Organization performs ongoing credit evaluations of its patients and donors and maintains allowances, as needed, for potential credit losses. Although the Organization is directly affected by the financial stability of its patient and donor base, management does not believe significant credit risk exists at June 30, 2017.