



CENTER FOR HEAD INJURY SERVICES

Financial Statements and Independent Auditors' Report

YEARS ENDED JUNE 30, 2018 AND 2017

Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements	
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 - 17

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, 2018 and 2017, 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' judgement, 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, 2018 and 2017, 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 25, 2019

Center for Head Injury Services
Statements of Financial Position
June 30, 2018 and 2017

Assets

	<u>2018</u>	<u>2017</u>
Current Assets		
Cash and cash equivalents	\$ 179,882	\$ 275,125
Accounts receivable, net	456,188	649,130
Prepaid expenses	<u>7,707</u>	<u>11,302</u>
Total Current Assets	643,777	935,557
Property and Equipment, net	3,276,107	2,743,757
Other Assets	<u>100</u>	<u>1,475</u>
Total Assets	<u><u>\$ 3,919,984</u></u>	<u><u>\$ 3,680,789</u></u>

Liabilities and Net Assets

Current Liabilities		
Current maturities of long-term debt	\$ 70,542	\$ 1,855,398
Accounts payable	112,184	326,545
Accrued expenses	<u>35,839</u>	<u>70,990</u>
Total Current Liabilities	218,565	2,252,933
Long-term Debt	<u>2,662,858</u>	<u>534,905</u>
Total Liabilities	2,881,423	2,787,838
Net Assets		
Unrestricted	1,020,730	680,671
Temporary restricted	<u>17,831</u>	<u>212,280</u>
Total Net Assets	<u>1,038,561</u>	<u>892,951</u>
Total Liabilities and Net Assets	<u><u>\$ 3,919,984</u></u>	<u><u>\$ 3,680,789</u></u>

Center for Head Injury Services
Statement of Activities
Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue, Gains and Other Support			
Contributions	\$ 36,381	\$ -	\$ 36,381
Grants	364,434	17,831	382,265
Special events	105,020	-	105,020
Program fees	3,003,058	-	3,003,058
Other	<u>207,269</u>	<u>-</u>	<u>207,269</u>
	3,716,162	17,831	3,733,993
Net assets released from restrictions:			
Satisfaction of time and usage restrictions	<u>212,280</u>	<u>(212,280)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>3,928,442</u>	<u>(194,449)</u>	<u>3,733,993</u>
Expenses			
Program Services			
Adult day program	272,838	-	272,838
Employment/vocational	1,170,110	-	1,170,110
Community placement	316,959	-	316,959
Medical	334,272	-	334,272
Midwest Adult Autism Project	346,574	-	346,574
Social enterprises	<u>443,835</u>	<u>-</u>	<u>443,835</u>
Total Program Services	<u>2,884,588</u>	<u>-</u>	<u>2,884,588</u>
Supporting Activities			
Management and general	524,882	-	524,882
Fundraising	<u>178,913</u>	<u>-</u>	<u>178,913</u>
Total Supporting Activities	<u>703,795</u>	<u>-</u>	<u>703,795</u>
Total Expenses	<u>3,588,383</u>	<u>-</u>	<u>3,588,383</u>
Change in Net Assets	340,059	(194,449)	145,610
Net Assets, Beginning of Year	<u>680,671</u>	<u>212,280</u>	<u>892,951</u>
Net Assets, End of Year	<u><u>\$ 1,020,730</u></u>	<u><u>\$ 17,831</u></u>	<u><u>\$ 1,038,561</u></u>

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>
	<u>3,632,595</u>	<u>212,280</u>	<u>3,844,875</u>
Net assets released from restrictions			
Satisfaction of time and usage 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	249,594	-	249,594
Employment/ vocational	1,121,385	-	1,121,385
Community placement	250,962	-	250,962
Medical	303,281	-	303,281
Midwest Adult Autism Project	359,777	-	359,777
Social enterprises	<u>388,349</u>	<u>-</u>	<u>388,349</u>
Total Program Services	<u>2,673,348</u>	<u>-</u>	<u>2,673,348</u>
Supporting Activities			
Management and general	536,334	-	536,334
Fundraising	<u>182,913</u>	<u>-</u>	<u>182,913</u>
Total Supporting Activities	<u>719,247</u>	<u>-</u>	<u>719,247</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 Functional Expenses
Year Ended June 30, 2018**

	Program Services							Supporting Activities		Total Expenses
	Adult Day Program	Employment/Vocational	Community Placement	Medical	Midwest Adult Autism Project	Social Enterprises	Total	Management and General	Fundraising	
Salaries and wages	\$ 154,032	\$ 892,381	\$ 226,842	\$ 203,683	\$ 232,309	\$ 201,707	\$ 1,910,954	\$ 291,050	\$ 109,435	\$ 2,311,439
Payroll taxes	11,893	69,463	16,299	15,891	18,168	14,500	146,214	21,485	7,964	175,663
Employee benefits	20,196	82,567	39,037	22,202	20,173	22,682	206,857	27,579	14,857	249,293
Advertising	-	-	-	-	-	-	-	-	2,010	2,010
Client assistance	(2,769)	540	-	29,097	-	-	26,868	-	-	26,868
Dues and subscriptions	729	214	974	-	(2)	174	2,089	17,614	4,720	24,423
Equipment	218	2,297	975	215	1,156	4,306	9,167	13,279	112	22,558
Insurance	7,890	9,774	1,649	6,418	9,656	5,947	41,334	16,074	1,472	58,880
Interest expense	13,774	17,063	2,878	11,204	16,858	10,382	72,159	28,062	2,570	102,791
Licenses	92	-	-	6	-	4,156	4,254	121	-	4,375
Maintenance	11,022	11,610	1,958	7,624	11,470	13,802	57,486	19,094	1,749	78,329
Miscellaneous	-	6,279	350	-	-	-	6,629	2,187	-	8,816
Occupancy	-	710	-	8,400	-	-	9,110	-	-	9,110
Postage	-	-	-	-	-	822	822	1,747	77	2,646
Printing	32	433	216	-	-	-	681	2,854	1,037	4,572
Professional fees	2,718	3,353	566	2,202	3,322	3,608	15,769	31,735	2,046	49,550
Seminars	719	116	-	-	395	900	2,130	690	240	3,060
Special events	-	-	-	-	-	-	-	-	25,058	25,058
Subcontractors	20,830	7,484	1,617	9,681	7,213	22,194	69,019	12,893	1,099	83,011
Supplies	2,683	3,981	327	3,291	1,352	93,730	105,364	16,031	1,683	123,078
Telephone	968	9,081	2,552	955	2,343	2,405	18,304	1,159	496	19,959
Training	-	503	107	-	358	297	1,265	2,347	26	3,638
Travel	2,247	36,109	14,722	1,763	790	8,368	63,999	3,217	86	67,302
Utilities	5,810	7,198	4,727	1,213	7,111	4,379	30,438	11,838	1,084	43,360
Total Expense Before Depreciation	253,084	1,161,156	315,796	323,845	332,672	414,359	2,800,912	521,056	177,821	3,499,789
Depreciation	19,754	8,954	1,163	10,427	13,902	29,476	83,676	3,826	1,092	88,594
Total Expenses	<u>\$ 272,838</u>	<u>\$ 1,170,110</u>	<u>\$ 316,959</u>	<u>\$ 334,272</u>	<u>\$ 346,574</u>	<u>\$ 443,835</u>	<u>\$ 2,884,588</u>	<u>\$ 524,882</u>	<u>\$ 178,913</u>	<u>\$ 3,588,383</u>

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

	Program Services							Supporting Activities		
	Adult Day Program	Employment/ Vocational	Community Placement	Medical	Midwest Adult Autism Project	Destination Desserts	Total	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 168,305	\$ 751,152	\$ 165,522	\$ 229,490	\$ 218,590	\$ 187,615	\$ 1,720,674	\$ 248,593	\$ 103,497	\$ 2,072,764
Payroll taxes	13,926	61,512	13,087	18,867	18,574	14,473	140,439	19,112	7,957	167,508
Employee benefits	14,271	59,304	17,978	14,455	16,101	22,366	144,475	20,911	12,967	178,353
Advertising	-	-	-	-	-	-	-	-	401	401
Client assistance	857	1,008	-	(10,682)	31	-	(8,786)	-	-	(8,786)
Dues and subscriptions	328	80	1,007	26	45	143	1,629	19,218	1,541	22,388
Equipment	-	-	-	-	41	2,019	2,060	10,139	-	12,199
Insurance	11,066	50,837	11,208	13,540	16,071	14,182	116,904	14,658	6,151	137,713
Interest expense	-	-	-	-	-	1,571	1,571	54,531	-	56,102
Licenses	111	43	-	-	-	4,278	4,432	231	-	4,663
Maintenance	1,281	6,785	1,124	1,059	2,533	3,640	16,422	7,440	550	24,412
Miscellaneous	-	14	2,169	280	15	(674)	1,804	8,240	23	10,067
Occupancy	17,979	114,623	18,922	23,313	42,617	34,044	251,498	20,594	9,253	281,345
Postage	231	-	-	-	-	126	357	2,205	513	3,075
Printing	-	169	-	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	483	-	200	-	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	879	999	10	1,353	723	65,116	69,080	14,358	419	83,857
Telephone	1,930	5,995	1,707	549	1,327	2,569	14,077	1,449	437	15,963
Training	121	1,485	108	-	333	225	2,272	216	230	2,718
Travel	2,027	42,634	14,139	3,142	756	3,308	66,006	2,691	339	69,036
Utilities	3,574	22,587	3,743	3,526	8,431	6,601	48,462	4,042	1,831	54,335
Total Expense Before Depreciation	247,193	1,119,710	250,724	301,918	357,259	365,311	2,642,115	536,080	182,734	3,360,929
Depreciation	2,401	1,675	238	1,363	2,518	23,038	31,233	254	179	31,666
Total Expenses	<u>\$ 249,594</u>	<u>\$ 1,121,385</u>	<u>\$ 250,962</u>	<u>\$ 303,281</u>	<u>\$ 359,777</u>	<u>\$ 388,349</u>	<u>\$ 2,673,348</u>	<u>\$ 536,334</u>	<u>\$ 182,913</u>	<u>\$ 3,392,595</u>

Center for Head Injury Services
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 145,610	\$ 452,280
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	88,594	31,666
Loss on disposal of equipment	26,550	71,863
(Increase) decrease in assets:		
Accounts receivable, net	192,942	(172,252)
Grants receivable	-	23,248
Prepaid expenses	3,595	3,578
Other assets	1,375	10,338
Increase (decrease) in liabilities:		
Accounts payable	(214,361)	140,487
Accrued expenses	<u>(35,151)</u>	<u>37,062</u>
Net Cash Provided by Operating Activities	<u>209,154</u>	<u>598,270</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(647,494)	(1,670,280)
Proceeds from sale of equipment	<u>-</u>	<u>4,642</u>
Net Cash Used in Investing Activities	<u>(647,494)</u>	<u>(1,665,638)</u>
Cash Flows From Financing Activities		
Borrowings on line of credit	-	32,307
Payments on line of credit	-	(150,000)
Proceeds from long-term debt	386,103	1,460,417
Payments on long-term debt	<u>(43,006)</u>	<u>(20,433)</u>
Net Cash Provided By Financing Activities	<u>343,097</u>	<u>1,322,291</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(95,243)	254,923
Cash and Cash Equivalents, Beginning of Year	<u>275,125</u>	<u>20,202</u>
Cash and Cash Equivalents, End of Year	<u>\$ 179,882</u>	<u>\$ 275,125</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for		
Interest	<u>\$ 102,791</u>	<u>\$ 56,102</u>

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2018 and 2017**

1. Nature of Operations and Basis of Presentation

Organization

Center for Head Injury Services (the "Organization") was established in 1986 and incorporated in 1990 as a not-for-profit organization whose mission is to help people with brain injuries, autism and other disabilities reach their maximum potential by developing skills, creating opportunities and shaping brighter futures. 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 counties in Missouri and Illinois.

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 Mabree Foundation. Due to the capital campaign, cash, contributions and property and equipment were significantly higher in 2017.

The Organization offers the following programs:

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, 2018 and 2017**

Employment/Vocational Services

This program gives people who have sustained a brain injury or other neurological impairment the opportunity to evaluate and build their work potential. Our vocational and employment professionals are guided by licensed medical therapists and licensed counselors. They 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, social skills 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 as needed to assist the individual in maintaining employment.

Medical Services

This program includes physical, occupational, speech therapies and counseling services specifically designed to meet participants' individual needs. Neuropsychological evaluations are also available.

Specialized occupational therapy is provided in the home to provide adaptive equipment, devices, and home/vehicle modifications designed to address independence, health/safety in the home and accessibility in the community.

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.

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, 2018 and 2017**

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.

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, 2018 and 2017, 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, accounts payable, accrued expenses, 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, 2018 and 2017.

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 and cash equivalents.

Center for Head Injury Services
Notes to Financial Statements
June 30, 2018 and 2017

Accounts Receivable

Accounts receivable are uncollateralized obligations from supporting governmental agencies 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, 2018 and 2017.

Property and Equipment

Property and equipment acquisitions with a life of three years or greater and a cost in excess of \$1,000 are capitalized and recorded at cost, while maintenance and repairs are expensed as incurred. 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 or period of time. 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.

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

<u>Classification</u>	<u>Years</u>
Buildings	40
Furniture and fixtures	5-7
Machinery and equipment	5-7
Vehicles	5

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, 2018 and 2017.

Center for Head Injury Services
Notes to Financial Statements
June 30, 2018 and 2017

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 are generally 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 activities. Expenses that can be identified with a specific program and supporting activity are allocated directly according to their natural expenditure classifications. Other expenses that are common to several functions are allocated by various statistical bases.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising costs totaled \$2,010 and \$401 for the years ended June 30, 2018 and 2017, respectively.

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 2015 and later remain subject to examination by taxing authorities.

Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the current year presentation.

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2018 and 2017**

Subsequent Events

The Organization has evaluated subsequent events through February 25, 2019, 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 for 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, as well as the currently required amount for total net assets. The guidance also requires a not-for-profit entity to present on the face of the statement of activities the amount of the change in each of the two classes of net assets rather than that of the currently required three classes. 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 continue 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:

Center for Head Injury Services
Notes to Financial Statements
June 30, 2018 and 2017

- 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.

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 requires 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. Property and Equipment

Property and equipment at June 30, is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 162,913	\$ 162,914
Buildings	2,584,640	2,039,360
Construction in progress	519,769	516,716
Furniture and fixtures	33,539	18,948
Machinery and equipment	45,120	24,330
Vehicles	<u>146,118</u>	<u>108,885</u>
	3,492,099	2,871,153
Less accumulated depreciation and amortization	<u>215,992</u>	<u>127,396</u>
	<u>\$ 3,276,107</u>	<u>\$ 2,743,757</u>

Depreciation expense for the years ended June 30, 2018 and 2017 totaled \$88,594 and \$31,666, respectively.

Center for Head Injury Services
Notes to Financial Statements
June 30, 2018 and 2017

4. Line of Credit

The Organization has a line of credit agreement ("the "Agreement") of \$150,000, scheduled to expire in September 2018. The agreement was subsequently extended to expire in September 2019. Borrowings are charged interest at the prime rate (5 percent at June 30, 2018), but no less than 4.75 percent per annum, and are secured by the Organization's assets. There were no borrowings outstanding under the line of credit at June 30, 2018 and 2017.

5. Long-term Debt

Long-term debt at June 30, is as follows:

	<u>2018</u>	<u>2017</u>
Note payable, secured by vehicle, interest at 5 percent, monthly payments of \$1,884 including interest, maturing in June 2018.	\$ -	\$ 19,785
Note payable, secured by real property on Lackland Road, interest of 4.675 percent, monthly payments of \$14,335, including interest, maturing in March 2022.	2,203,400	1,835,613
Mortgage payable, secured by deed of trust, payable when the Organization sells, trades or disposes of the Morganford property.	<u>530,000</u>	<u>534,905</u>
	2,733,400	2,390,303
Less current maturities	<u>70,542</u>	<u>1,855,398</u>
	<u>\$ 2,662,858</u>	<u>\$ 534,905</u>

Maturities of long-term debt as of June 30, 2018 are as follows:

<u>June 30,</u>	
2019	\$ 70,542
2020	73,911
2021	77,441
2022	1,981,506
Thereafter	<u>530,000</u>
	<u>\$ 2,733,400</u>

Center for Head Injury Services
Notes to Financial Statements
June 30, 2018 and 2017

6. Restricted Net Assets

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

	June 30, <u>2018</u>	<u>2017</u>
Time and usage restrictions	<u>\$ 17,831</u>	<u>\$ 212,280</u>

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

	<u>2018</u>	<u>2017</u>
Released from restrictions of purpose	<u>\$ 212,280</u>	<u>\$ 11,204</u>

7. 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, 2018 and 2017.

8. Risks and Uncertainties

Concentrations

Contributions from three sources were approximately 62 and 64 percent of the Organization's revenue during the years ended June 30, 2018 and 2017, respectively. Accounts receivable from four and five supporting governmental agencies were approximately 74 and 88 percent of the Organization's accounts receivable at June 30, 2018 and 2017, respectively.

Concentration of Credit 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. The Organization performs ongoing credit evaluations of the supporting government agencies with whom they do business and donors and maintains allowances, as needed, for potential credit losses. Although the Organization is directly affected by the financial stability of these supporting governmental agencies, management does not believe significant credit risk exists at June 30, 2018.