



CENTER FOR HEAD INJURY SERVICES

Financial Statements and Independent Auditors' Report

YEAR ENDED JUNE 30, 2022



Contents

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 14

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Center for Head Injury Services (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2022, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Head Injury Services as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Center for Head Injury Services and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Head Injury Services's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Center for Head Injury Services's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Center for Head Injury Services's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in blue ink that reads "Anders Minkler Huber & Helms LLP". The signature is written in a cursive, flowing style.

August 7, 2023

**Center for Head Injury Services
Statement of Financial Position
June 30, 2022**

Assets

Current Assets	
Cash	\$ 402,686
Accounts receivable, net	386,344
Prepaid expenses	<u>9,929</u>
Total Current Assets	798,959
Property and Equipment, net	<u>3,000,198</u>
Total Assets	<u><u>\$ 3,799,157</u></u>

Liabilities and Net Assets

Current Liabilities	
Current maturities of long-term debt	\$ 88,219
Line of credit	79,465
Accounts payable	30,000
Accrued expenses	<u>250,633</u>
Total Current Liabilities	448,317
Long-term Debt	<u>2,374,575</u>
Total Liabilities	2,822,892
Net Assets	
Without donor restrictions	976,265
With donor restrictions	<u>-</u>
Total Net Assets	<u>976,265</u>
Total Liabilities and Net Assets	<u><u>\$ 3,799,157</u></u>

Center for Head Injury Services
Statement of Activities
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Contributions	\$ 117,785	\$ -	\$ 117,785
Program fees	2,920,666	-	2,920,666
Paycheck Protection Program forgiveness income	30,641	-	30,641
Other	<u>356,497</u>	<u>-</u>	<u>356,497</u>
Gross special events revenue	16,059	-	16,059
Less costs of direct benefits to donors	<u>12,963</u>	<u>-</u>	<u>12,963</u>
Net special events revenue	<u>3,096</u>	<u>-</u>	<u>3,096</u>
Net assets released from restrictions:			
Satisfaction of time and usage restrictions	<u>75,000</u>	<u>(75,000)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>3,503,685</u>	<u>(75,000)</u>	<u>3,428,685</u>
Expenses			
Program Services			
Adult day program	317,058	-	317,058
Employment/vocational	1,365,867	-	1,365,867
Community support services	260,923	-	260,923
Medical	332,893	-	332,893
Midwest Adult Autism Project	287,819	-	287,819
Social enterprises	<u>422,870</u>	<u>-</u>	<u>422,870</u>
Total Program Services	<u>2,987,430</u>	<u>-</u>	<u>2,987,430</u>
Supporting Activities			
Management and general	973,894	-	973,894
Fundraising	<u>97,357</u>	<u>-</u>	<u>97,357</u>
Total Supporting Activities	<u>1,071,251</u>	<u>-</u>	<u>1,071,251</u>
Total Expenses	<u>4,058,681</u>	<u>-</u>	<u>4,058,681</u>
Change in Net Assets	(554,996)	(75,000)	(629,996)
Net Assets, Beginning of Year	<u>1,531,261</u>	<u>75,000</u>	<u>1,606,261</u>
Net Assets, End of Year	<u><u>\$ 976,265</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 976,265</u></u>

**Center for Head Injury Services
Statement of Functional Expenses
Year Ended June 30, 2022**

	Program Services							Supporting Activities		Total Expenses
	Adult Day Program	Employment/Vocational	Community Support Services	Medical/Counseling	Midwest Adult Autism Project	Social Enterprises	Total	Management and General	Fundraising	
Salaries and wages	\$ 182,690	\$ 1,021,915	\$ 178,234	\$ 191,950	\$ 175,932	\$ 180,498	\$ 1,931,219	\$ 567,881	\$ 66,427	\$ 2,565,527
Payroll taxes	13,333	74,578	13,007	14,008	12,839	13,173	140,938	41,443	4,848	187,229
Employee benefits	22,234	124,372	21,692	23,361	21,412	21,968	235,039	69,114	8,084	312,237
Client assistance	-	-	18,023	-	-	-	18,023	-	-	18,023
Dues and subscriptions	762	10,345	313	369	656	965	13,410	3,003	135	16,548
Equipment	-	-	-	-	-	2,616	2,616	8,284	-	10,900
Insurance	8,600	11,377	2,168	7,830	8,726	14,906	53,607	20,679	2,052	76,338
Interest expense	12,941	13,804	2,588	7,765	13,804	8,627	59,529	24,174	2,636	86,339
Licenses	140	412	117	84	150	525	1,428	825	755	3,008
Maintenance	22,964	2,629	482	1,449	2,841	7,501	37,866	4,503	482	42,851
Miscellaneous	-	-	-	-	-	-	-	86,954	-	86,954
Occupancy	9,745	10,394	1,949	5,847	10,394	6,496	44,825	18,191	1,949	64,965
Postage	149	172	31	94	159	734	1,339	368	72	1,779
Printing	434	1,394	188	456	413	446	3,331	1,037	1,362	5,730
Professional fees	1,516	8,483	1,479	1,593	1,460	1,498	16,029	48,370	551	64,950
Seminars	34	7,121	33	62	29	19	7,298	116	21	7,435
Subcontractors	6,956	3,005	624	3,986	2,966	4,214	21,751	6,955	512	29,218
Supplies	2,966	4,410	277	50,905	2,668	78,728	139,954	3,984	1,124	145,062
Telephone	231	11,520	5,449	1,005	245	156	18,606	1,810	44	20,460
Training	155	1,038	72	103	252	223	1,843	9,133	88	11,064
Travel	730	26,387	8,101	704	141	2,863	38,926	176	119	39,221
Utilities	14,296	15,250	2,860	8,578	15,250	42,783	99,017	26,688	2,860	128,565
Total Expense Before Depreciation	300,876	1,348,606	257,687	320,149	270,337	388,939	2,886,594	943,688	94,121	3,924,403
Depreciation	16,182	17,261	3,236	12,744	17,482	33,931	100,836	30,206	3,236	134,278
Total Expenses	<u>\$ 317,058</u>	<u>\$ 1,365,867</u>	<u>\$ 260,923</u>	<u>\$ 332,893</u>	<u>\$ 287,819</u>	<u>\$ 422,870</u>	<u>\$ 2,987,430</u>	<u>\$ 973,894</u>	<u>\$ 97,357</u>	<u>\$ 4,058,681</u>

Center for Head Injury Services
Statement of Cash Flows
Year Ended June 30, 2022

Cash Flows From Operating Activities	
Change in net assets	\$ (629,996)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	134,279
(Increase) decrease in assets:	
Accounts receivable, net	112,681
Prepaid expenses	19,783
Increase (decrease) in liabilities:	
Accounts payable	(82,549)
Accrued expenses	146,518
Net Cash Used in Operating Activities	<u>(299,284)</u>
Cash Flows From Investing Activities	
Purchases of property and equipment	<u>(4,857)</u>
Net Cash Used In Investing Activities	<u>(4,857)</u>
Cash Flows From Financing Activities	
Borrowings on line of credit	79,465
Payments on long-term debt	<u>(80,388)</u>
Net Cash Used in Financing Activities	<u>(923)</u>
Net Decrease in Cash and Cash Equivalents	(305,064)
Cash and Cash Equivalents, Beginning of Year	<u>707,750</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 402,686</u></u>
Supplemental Disclosures of Cash Flow Information	
Cash paid for Interest	\$ 86,339

Center for Head Injury Services
Notes to Financial Statements
June 30, 2022

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 spectrum disorder 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.

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.

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.

Center for Head Injury Services
Notes to Financial Statements
June 30, 2022

Medical and Counseling Services

The Center offers continued medical rehabilitation services to maximize quality of life and increase independence. Our licensed physical, occupational and speech therapists provide skilled therapy treatments and our licensed counselors offer individual, family and group counseling sessions.

Community Support Services

For many people with disabilities, barriers in their communities may limit their choices for an independent life. The Center offers a holistic approach to support the needs of those wanting to gain the skills to live independently, maintain employment and safely engage in the community.

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.

Social Enterprises

This program includes two enterprises as a means to provide training and employment opportunities for people with brain injuries, autism and other disabilities in the St. Louis area. Social enterprise is a business formed with socially conscious guiding principles. All of the products from the Organization's social enterprises are handmade, packaged and sold with an integrated workforce.

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, 2022

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 two categories of net assets, as applicable, and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may be satisfied by specific activities or the passage of time, or are required to be maintained in perpetuity by the Organization. The income earned on any related investments may be subject to donor-imposed stipulations.

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.

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, 2022.

Center for Head Injury Services
Notes to Financial Statements
June 30, 2022

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 net assets without donor restrictions 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	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 year ended June 30, 2022.

Support and Revenue

Contributions are recorded as received and unconditional promises to give are recorded as the promise is made. All contributions are available for use unless specifically restricted by the donor. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions 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. Contributions with donor restrictions in which the restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying financial statements.

Government contracts are generally recognized as income in the period that specific services are provided.

Center for Head Injury Services
Notes to Financial Statements
June 30, 2022

Functional Expense Allocation

The costs of program services and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

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 2018 and later remain subject to examination by taxing authorities.

Subsequent Events

The Organization has evaluated subsequent events through August 7, 2023, the date the Financial statements were available to be issued. Subsequent to year end, the Organization created a fictitious name ("doing business as" or "d/b/a") registration in the State of Missouri as "The Center for Specialized Services."

Center for Head Injury Services
Notes to Financial Statements
June 30, 2022

Recent Accounting Pronouncements

Leases

The FASB has issued new guidance on the recognition of lease assets and lease liabilities by lessees for those leases previously classified as operating leases. The guidance requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expense for such leases generally on a straight-line basis over the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous GAAP. There continues to be a differentiation between finance leases and operating leases. However, the principal difference from previous guidance is that the lease assets and lease liabilities arising from operating leases should be recognized in the statement of financial position. The guidance will be required for the first fiscal year beginning after December 15, 2021. Based on a preliminary analysis, the Organization does not expect the new guidance to have a significant impact on its financial statements.

3. Property and Equipment

Property and equipment at June 30, 2022 is as follows:

Land	\$ 246,987
Buildings	2,556,771
Construction in progress	469,530
Furniture and fixtures	63,504
Machinery and equipment	154,960
Vehicles	<u>159,617</u>
	3,651,369
Less accumulated depreciation	<u>651,171</u>
	<u><u>\$ 3,000,198</u></u>

Depreciation expense for the year ended June 30, 2022 totaled \$134,278.

Center for Head Injury Services
Notes to Financial Statements
June 30, 2022

4. Line of Credit

The Organization has a line of credit agreement (the "Agreement") of \$150,000, scheduled to expire in September 2021. The agreement was subsequently extended to expire in September 2022. Borrowings are charged interest at the prime rate (4.75 percent at June 30, 2022), but no less than 4.75 percent per annum, and are secured by the Organization's assets. There were borrowings of \$79,465 at June 30, 2022.

5. Long-term Debt

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

	<u>2022</u>
Note payable, secured by real property on Lackland Road, interest of 4.75 percent, monthly payments of \$13,870, including interest, maturing in February 2026.	\$ 1,910,519
Mortgage payable and various promissory notes, secured by deed of trust, payable when the Organization sells, trades or disposes of the Morganford property.	<u>552,275</u>
	2,462,794
Less current maturities	<u>88,219</u>
	<u><u>\$ 2,374,575</u></u>

Maturities of long-term debt as of June 30, 2022 are as follows:

<u>June 30,</u>	
2023	\$ 88,219
2024	91,979
2025	95,900
2026	1,634,568
Thereafter	<u>552,128</u>
	<u><u>\$ 2,462,794</u></u>

6. Net Assets With Donor Restrictions

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

	<u>2022</u>
Released from restrictions of purpose	<u><u>\$ 75,000</u></u>

Center for Head Injury Services
Notes to Financial Statements
June 30, 2022

7. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions:

	<u>2022</u>
Cash	\$ 402,686
Accounts receivable	<u>386,344</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u><u>\$ 789,030</u></u>

The Organization's primary sources of support are grants and program fees. Some support is required to be used in accordance with the purpose restrictions imposed by the donors. As part of a liquidity management plan, the Organization invests cash in excess of daily requirements in money market funds. To further manage liquidity the Organization maintains a line-of-credit with a bank that is drawn upon as needed during the year to manage cash flow. See Note 4 for further description of this line.

8. Retirement Plan

The Organization maintains a contributory retirement savings plan under Section 401(k) of the IRC covering substantially all employees who meet certain eligibility requirements. There were no employer contributions to the plan for the year ended June 30, 2022.

9. Risks and Uncertainties

Concentrations

Accounts receivable from three supporting governmental agencies were approximately 97 percent of the Organization's accounts receivable at June 30, 2022.

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash and cash equivalents and accounts 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. At June 30, 2022, there were cash balances of \$228,092 in excess of federally insured limits at the bank. 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, 2022.