



CENTER FOR HEAD INJURY SERVICES

Financial Statements and Independent Auditors' Report

YEARS ENDED JUNE 30, 2020 AND 2019



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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, 2020 and 2019, 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, 2020 and 2019, 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.

December 31, 2020

**Center for Head Injury Services
Statements of Financial Position
June 30, 2020 and 2019**

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 891,272	\$ 283,213
Accounts receivable, net	481,592	516,557
Prepaid expenses	<u>59,404</u>	<u>64,733</u>
Total Current Assets	1,432,268	864,503
Property and Equipment, net	<u>3,223,257</u>	<u>3,252,169</u>
 Total Assets	 <u>\$ 4,655,525</u>	 <u>\$ 4,116,672</u>

Liabilities and Net Assets

Current Liabilities		
Current maturities of long-term debt	\$ 99,791	\$ 73,911
Accounts payable	82,474	133,797
Accrued expenses	<u>67,114</u>	<u>49,783</u>
Total Current Liabilities	249,379	257,491
Long-term Debt	<u>3,093,435</u>	<u>2,590,723</u>
Total Liabilities	<u>3,342,814</u>	<u>2,848,214</u>
Net Assets		
Without donor restrictions	1,228,997	1,128,038
With donor restrictions	<u>83,714</u>	<u>140,420</u>
Total Net Assets	<u>1,312,711</u>	<u>1,268,458</u>
 Total Liabilities and Net Assets	 <u>\$ 4,655,525</u>	 <u>\$ 4,116,672</u>

Center for Head Injury Services
Statement of Activities
Year Ended June 30, 2020

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 47,153	\$ -	\$ 47,153
Grants	44,431	180,200	224,631
Program fees	3,319,573	-	3,319,573
Other	<u>137,007</u>	<u>-</u>	<u>137,007</u>
Gross special events revenue	41,160	-	41,160
Less cost of direct benefits to donors	<u>16,285</u>	<u>-</u>	<u>16,285</u>
Net special events revenue	24,875	-	24,875
Net assets released from restrictions:			
Satisfaction of time and usage restrictions	<u>236,906</u>	<u>(236,906)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>3,809,945</u>	<u>(56,706)</u>	<u>3,753,239</u>
Expenses			
Program Services			
Adult day program	481,075	-	481,075
Employment/vocational	1,183,386	-	1,183,386
Community support services	314,716	-	314,716
Medical	340,582	-	340,582
Midwest Adult Autism Project	157,266	-	157,266
Social enterprises	<u>535,414</u>	<u>-</u>	<u>535,414</u>
Total Program Services	<u>3,012,439</u>	<u>-</u>	<u>3,012,439</u>
Supporting Activities			
Management and general	547,254	-	547,254
Fundraising	<u>149,293</u>	<u>-</u>	<u>149,293</u>
Total Supporting Activities	<u>696,547</u>	<u>-</u>	<u>696,547</u>
Total Expenses	<u>3,708,986</u>	<u>-</u>	<u>3,708,986</u>
Change in Net Assets	100,959	(56,706)	44,253
Net Assets, Beginning of Year	<u>1,128,038</u>	<u>140,420</u>	<u>1,268,458</u>
Net Assets, End of Year	<u>\$ 1,228,997</u>	<u>\$ 83,714</u>	<u>\$ 1,312,711</u>

**Center for Head Injury Services
Statement of Activities
Year Ended June 30, 2019**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenues, Gains and Other Support			
Contributions	\$ 16,322	\$ -	\$ 16,322
Grants	239,066	140,420	379,486
Program fees	3,408,820	-	3,408,820
Other	180,768	-	180,768
Gross special events revenue	77,637	-	77,637
Less cost of direct benefits to donors	<u>22,295</u>	<u>-</u>	<u>22,295</u>
Net special events revenue	55,342	-	55,342
Net assets released from restrictions:			
Satisfaction of time and usage restrictions	<u>17,831</u>	<u>(17,831)</u>	<u>-</u>
Total Revenues, Gains and Other Support	<u>3,918,149</u>	<u>122,589</u>	<u>4,040,738</u>
Expenses			
Program Services			
Adult day program	437,434	-	437,434
Employment/vocational	1,286,889	-	1,286,889
Community support services	327,641	-	327,641
Medical	394,790	-	394,790
Midwest Adult Autism Project	265,427	-	265,427
Social enterprises	<u>452,924</u>	<u>-</u>	<u>452,924</u>
Total Program Services	<u>3,165,105</u>	<u>-</u>	<u>3,165,105</u>
Supporting Activities			
Management and general	494,766	-	494,766
Fundraising	<u>150,970</u>	<u>-</u>	<u>150,970</u>
Total Supporting Activities	<u>645,736</u>	<u>-</u>	<u>645,736</u>
Total Expenses	<u>3,810,841</u>	<u>-</u>	<u>3,810,841</u>
Change in Net Assets	107,308	122,589	229,897
Net Assets, Beginning of Year	<u>1,020,730</u>	<u>17,831</u>	<u>1,038,561</u>
Net Assets, End of Year	<u>\$ 1,128,038</u>	<u>\$ 140,420</u>	<u>\$ 1,268,458</u>

**Center for Head Injury Services
Statement of Functional Expenses
Year Ended June 30, 2020**

	Program Services							Supporting Activities		Total Expenses
	Adult Day Program	Employment/Vocational	Community Support Services	Medical	Midwest Adult Autism Project	Social Enterprises	Total	Management and General	Fundraising	
Salaries and wages	\$ 289,010	\$ 891,406	\$ 228,578	\$ 215,493	\$ 97,009	\$ 231,664	\$ 1,953,160	\$ 314,534	\$ 104,793	\$ 2,372,487
Payroll taxes	14,911	65,157	14,950	15,849	3,241	18,009	132,117	22,779	8,191	163,087
Employee benefits	58,227	120,664	38,656	39,596	764	53,433	311,340	41,682	18,929	371,951
Client assistance	17,421	528	1,465	15	129	-	19,558	-	-	19,558
Dues and subscriptions	1,590	1,291	1,177	639	1,136	2,781	8,614	8,898	273	17,785
Equipment	1,846	1,917	1,917	1,863	1,992	17,955	27,490	5,289	770	33,549
Insurance	2,133	4,384	820	3,038	2,275	7,047	19,697	7,805	778	28,280
Interest expense	15,131	16,140	3,026	9,079	16,140	10,087	69,603	28,283	3,138	101,024
Licenses	780	2,056	156	468	832	2,074	6,366	2,626	2,196	11,188
Maintenance	5,916	6,542	1,170	3,511	6,375	25,179	48,693	10,908	1,170	60,771
Miscellaneous	281	120	3	14,472	18	289	15,183	777	253	16,213
Occupancy	1,170	1,248	234	702	1,248	780	5,382	2,184	234	7,800
Postage	283	325	63	170	302	1,451	2,594	578	184	3,356
Printing	210	905	209	364	155	222	2,065	403	1,831	4,299
Professional fees	840	896	168	504	896	1,997	5,301	39,348	325	44,974
Seminars	41	132	170	279	-	-	622	402	98	1,122
Subcontractors	26,239	8,912	1,658	23,222	9,126	20,372	89,529	16,761	1,586	107,876
Supplies	4,454	6,745	380	905	4,003	71,343	87,830	4,193	490	92,513
Telephone	23	2,121	875	29	24	626	3,698	(59)	5	3,644
Training	120	431	22	95	213	254	1,135	308	-	1,443
Travel	813	29,369	9,017	784	157	3,187	43,327	196	132	43,655
Utilities	10,528	11,231	2,106	6,318	11,231	32,556	73,970	19,655	2,106	95,731
Total Expense Before Depreciation	451,967	1,172,520	306,820	337,395	157,266	501,306	2,927,274	527,550	147,482	3,602,306
Depreciation	29,108	10,866	7,896	3,187	-	34,108	85,165	19,704	1,811	106,680
Total Expenses	<u>\$ 481,075</u>	<u>\$ 1,183,386</u>	<u>\$ 314,716</u>	<u>\$ 340,582</u>	<u>\$ 157,266</u>	<u>\$ 535,414</u>	<u>\$ 3,012,439</u>	<u>\$ 547,254</u>	<u>\$ 149,293</u>	<u>\$ 3,708,986</u>

**Center for Head Injury Services
Statement of Functional Expenses
Year Ended June 30, 2019**

	Program Services							Supporting Activities		Total Expenses
	Adult Day Program	Employment/Vocational	Community Support Services	Medical	Midwest Adult Autism Project	Social Enterprises	Total	Management and General	Fundraising	
Salaries and wages	\$ 219,731	\$ 972,677	\$ 226,599	\$ 255,559	\$ 202,828	\$ 207,080	\$ 2,084,474	\$ 287,564	\$ 105,749	\$ 2,477,787
Payroll taxes	15,322	71,712	15,443	18,117	14,144	14,389	149,127	20,794	7,560	177,481
Employee benefits	39,326	130,768	54,540	25,489	36,301	32,548	318,972	41,503	18,367	378,842
Client assistance	2,566	733	883	155	48	-	4,385	-	-	4,385
Dues and subscriptions	587	270	13	56	-	895	1,821	4,404	3,592	9,817
Equipment	3,643	1,953	341	1,537	-	1,854	9,328	4,396	429	14,153
Insurance	5,044	4,086	657	3,511	-	6,673	19,971	7,445	681	28,097
Interest expense	30,901	15,489	2,943	13,037	-	10,403	72,773	28,373	2,711	103,857
Licenses	4,513	2,584	440	1,832	-	3,858	13,227	7,551	1,034	21,812
Maintenance	16,442	8,080	1,501	6,703	2,454	23,807	58,987	22,588	1,341	82,916
Miscellaneous	9,758	3,016	-	2,051	10	199	15,034	-	127	15,161
Occupancy	-	650	(10)	7,800	-	-	8,440	-	-	8,440
Postage	421	211	40	177	-	1,205	2,054	643	849	3,546
Printing	-	436	32	100	-	845	1,413	351	1,068	2,832
Professional fees	7,347	4,343	728	3,056	-	3,963	19,437	18,145	1,484	39,066
Seminars	923	558	-	-	-	-	1,481	1,945	25	3,451
Subcontractors	32,046	8,239	1,297	36,662	3,000	23,836	105,080	15,392	1,170	121,642
Supplies	5,155	2,689	297	2,281	806	73,904	85,132	7,354	987	93,473
Telephone	3,712	4,870	1,682	1,548	4	1,270	13,086	3,368	310	16,764
Training	677	1,262	147	172	3,443	107	5,808	910	356	7,074
Travel	1,551	32,980	16,621	677	683	6,712	59,224	1,268	164	60,656
Utilities	10,859	9,532	1,624	6,133	1,706	13,392	43,246	3,066	1,339	47,651
Total Expense Before Depreciation	410,524	1,277,138	325,818	386,653	265,427	426,940	3,092,500	477,060	149,343	3,718,903
Depreciation	26,910	9,751	1,823	8,137	-	25,984	72,605	17,706	1,627	91,938
Total Expenses	<u>\$ 437,434</u>	<u>\$ 1,286,889</u>	<u>\$ 327,641</u>	<u>\$ 394,790</u>	<u>\$ 265,427</u>	<u>\$ 452,924</u>	<u>\$ 3,165,105</u>	<u>\$ 494,766</u>	<u>\$ 150,970</u>	<u>\$ 3,810,841</u>

Center for Head Injury Services
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 44,253	\$ 229,897
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	106,680	91,938
(Increase) decrease in assets:		
Accounts receivable, net	34,965	(60,369)
Prepaid expenses	5,329	(56,926)
Increase (decrease) in liabilities:		
Accounts payable	(51,323)	11,613
Accrued expenses	17,331	23,944
Net Cash Provided by Operating Activities	<u>157,235</u>	<u>240,097</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	<u>(77,768)</u>	<u>(68,000)</u>
Net Cash Used In Investing Activities	<u>(77,768)</u>	<u>(68,000)</u>
Cash Flows From Financing Activities		
Proceeds from long-term debt	582,506	-
Payments on long-term debt	<u>(53,914)</u>	<u>(68,766)</u>
Net Cash Provided By (Used In) Financing Activities	<u>528,592</u>	<u>(68,766)</u>
Net Increase in Cash and Cash Equivalents	608,059	103,331
Cash and Cash Equivalents, Beginning of Year	<u>283,213</u>	<u>179,882</u>
Cash and Cash Equivalents, End of Year	<u>\$ 891,272</u>	<u>\$ 283,213</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for		
Interest	<u>\$ 101,024</u>	<u>\$ 103,857</u>

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2020 and 2019**

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.

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, 2020 and 2019

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 three 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, 2020 and 2019

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.

Carrying amounts of certain financial instruments such as cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and long-term debt 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, 2020 and 2019.

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, 2020 and 2019**

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, 2020 and 2019.

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	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, 2020 and 2019.

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2020 and 2019**

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.

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 2016 and later remain subject to examination by taxing authorities.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform to the current year presentation.

Subsequent Events

The Organization has evaluated subsequent events through December 31, 2020, the date the financial statements were available to be issued.

Recent Accounting Pronouncements

Center for Head Injury Services
Notes to Financial Statements
June 30, 2020 and 2019

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.

In-Kind Donations

The FASB has issued ASU 2020-07 Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The new guidance requires organizations to present contributed nonfinancial assets (gifts “in kind”) as a separate line item on the statement of activities. The new guidance also requires enhanced disclosures to include a disaggregation of the total amount of contributed nonfinancial assets recognized within the statement of activities by category. For each such category, the disclosures should include 1) qualitative information about whether the contributed nonfinancial assets were either “monetized” (sold or held for sale) or “utilized” (used) during the reporting period. If utilized, the Organization is required to disclose a description of the programs or activities in which the contributed assets were used, 2) the Organization’s policy (if any) about monetizing rather than utilizing contributed nonfinancial assets, 3) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, 4) a description of the valuation techniques and inputs used to arrive at a fair value measurement, in accordance with Topic 820, Fair Value Measurement, and 5) the principal market used to arrive at a fair value measurement if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial asset. The guidance will be effective for annual financial statements issued for fiscal years beginning after June 15, 2021.

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2020 and 2019**

3. Property and Equipment

Property and equipment at June 30, is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 162,913	\$ 162,913
Buildings	2,563,981	2,556,771
Construction in progress	553,604	553,604
Furniture and fixtures	48,381	43,647
Machinery and equipment	149,371	83,547
Vehicles	<u>159,617</u>	<u>159,617</u>
	3,637,867	3,560,099
Less accumulated depreciation	<u>414,610</u>	<u>307,930</u>
	<u>\$ 3,223,257</u>	<u>\$ 3,252,169</u>

Depreciation expense for the years ended June 30, 2020 and 2019 totaled \$106,680 and \$91,938, respectively.

4. Line of Credit

The Organization has a line of credit agreement (the "Agreement") of \$150,000, scheduled to expire in September 2019. The agreement was subsequently extended to expire in September 2020. This was subsequently renewed in 2021. Borrowings are charged interest at the prime rate (3.25 percent at June 30, 2020), 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, 2020 and 2019.

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2020 and 2019**

5. Long-term Debt

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

	<u>2020</u>	<u>2019</u>
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.	\$ 2,080,720	\$ 2,134,634
Mortgage payable, secured by deed of trust, payable when the Organization sells, trades or disposes of the Morganford property.	530,000	530,000
Paycheck Protection Program ("PPP") note payable administered by the U.S. Small Business Administration, eligible for forgiveness in 2021 upon meeting certain requirements, interest at 1 percent. Interest payments starting in October 2020, maturing in April 2022. Management believes the conditions for forgiveness will be met in 2021.	<u>582,506</u>	<u>-</u>
	3,193,226	2,664,634
Less current maturities	<u>99,791</u>	<u>73,911</u>
	<u>\$ 3,093,435</u>	<u>\$ 2,590,723</u>

Maturities of long-term debt as of June 30, 2020 are as follows:

<u>June 30,</u>	
2021	\$ 99,791
2022	2,510,929
Thereafter	<u>582,506</u>
	<u>\$ 3,193,226</u>

6. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Time and usage restrictions	<u>\$ 83,714</u>	<u>\$ 140,420</u>

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

	<u>2020</u>	<u>2019</u>
Released from restrictions of purpose	<u>\$ 236,906</u>	<u>\$ 17,831</u>

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2020 and 2019**

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 891,272	\$ 283,213
Accounts receivable	481,592	516,557
Assets with donor restrictions	<u>(83,714)</u>	<u>(140,420)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 1,289,150</u>	<u>\$ 659,350</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 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, 2020 and 2019.

9. Risks and Uncertainties

Concentrations

Program services from three sources were approximately 66 percent of the Organization's revenues for each of the years ended June 30, 2020 and 2019. Accounts receivable from four supporting governmental agencies were approximately 94 and 71 percent of the Organization's accounts receivable at June 30, 2020 and 2019, respectively.

**Center for Head Injury Services
Notes to Financial Statements
June 30, 2020 and 2019**

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, 2020, there were cash balances of \$593,079 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, 2020.

Economic Conditions

The recent COVID-19 outbreak has caused a downturn in business activity across most industries in the United States. The Organization cannot reasonably estimate the length or severity of this pandemic. COVID-19 has not materially impacted the Organization's business. However, at this time, it remains too early to estimate the full, if any, impact on the financial results.

10. Commitments and Contingencies

Leases

The Organization leases office equipment under noncancellable operating leases. Future minimum lease payments at June 30, 2020, are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 8,220
2022	8,220
2023	4,795
	<u>\$ 21,235</u>

Rent expense related to operating leases for the years ended June 30, 2020 and 2019 totaled \$7,800 and \$8,440, respectively.