



Financial Statements  
June 30, 2023 and 2022

# Empowering Kids Perham

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## Independent Auditor's Report

To the Board of Directors  
Empowering Kids Perham  
Perham, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Empowering Kids Perham (Organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 the Organization as of June 30, 2023 and 2022, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Change in Accounting Principle*

As discussed in Note 1 to the financial statements, the Organization has adopted the provisions of FASB Accounting Standards Codification Topic 842, *Leases*, as of July 1, 2022 using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

### ***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; and for 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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### ***Auditor's Responsibilities of 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 auditor's 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 GAAS 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 GAAS, 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 the Organization'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 the Organization'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.

*Eide Bailly LLP*

Fargo, North Dakota  
May 14, 2024

Empowering Kids Perham  
Statements of Financial Position  
June 30, 2023 and 2022

|                                       | 2023                | 2022                |
|---------------------------------------|---------------------|---------------------|
| <b>Assets</b>                         |                     |                     |
| Cash and cash equivalents             | \$ 138,587          | \$ 91,641           |
| Accounts receivable, net              | 83,726              | 32,279              |
| Investments                           | 717,336             | 726,316             |
| Property and equipment, net           | 301,428             | 348,485             |
| Operating lease right of use asset    | 454,505             | -                   |
|                                       | <u>\$ 1,695,582</u> | <u>\$ 1,198,721</u> |
| <b>Liabilities and Net Assets</b>     |                     |                     |
| Accounts payable                      | \$ 9,860            | \$ 6,336            |
| Accrued payroll                       | 81,756              | 58,010              |
| Special assessments payable           | -                   | 11,181              |
| Operating lease liability             | 451,355             | -                   |
|                                       | <u>542,971</u>      | <u>75,527</u>       |
| Net Assets Without Donor Restrictions | <u>1,152,611</u>    | <u>1,123,194</u>    |
| Total liabilities and net assets      | <u>\$ 1,695,582</u> | <u>\$ 1,198,721</u> |

## Empowering Kids Perham

Statement of Activities  
Year Ended June 30, 2023

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|--|-------------------------------|----------------------------|---------------------|
| <b>Revenue, Support, and Gains</b>     |                               |                            |                     |
| Individual contributions and donations | \$ 50,606                     | \$ -                       | \$ 50,606           |
| Corporate contributions                | 9,972                         | -                          | 9,972               |
| Grants                                 | 193,261                       | -                          | 193,261             |
| In-kind contributions                  | 2,618                         | -                          | 2,618               |
| Net investment return                  | 79,114                        | -                          | 79,114              |
| Gain on disposal of assets             | 34,125                        | -                          | 34,125              |
|  | <u>369,696</u>                | <u>-</u>                   | <u>369,696</u>      |
| Program service fees                   | 969,977                       | -                          | 969,977             |
| Less scholarships                      | <u>(11,400)</u>               | <u>-</u>                   | <u>(11,400)</u>     |
| Net program service fees               | <u>958,577</u>                | <u>-</u>                   | <u>958,577</u>      |
| Special event revenue                  | 25,780                        | -                          | 25,780              |
| Less cost of direct benefits to donors | <u>(6,679)</u>                | <u>-</u>                   | <u>(6,679)</u>      |
| Net special events revenue             | <u>19,101</u>                 | <u>-</u>                   | <u>19,101</u>       |
| Total revenue, support, and gains      | <u>1,347,374</u>              | <u>-</u>                   | <u>1,347,374</u>    |
| <b>Expenses</b>                        |                               |                            |                     |
| Program services                       | 1,050,623                     | -                          | 1,050,623           |
| Fundraising                            | 65,804                        | -                          | 65,804              |
| Management and general                 | <u>201,530</u>                | <u>-</u>                   | <u>201,530</u>      |
| Total expenses                         | <u>1,317,957</u>              | <u>-</u>                   | <u>1,317,957</u>    |
| Change in Net Assets                   | 29,417                        | -                          | 29,417              |
| Net Assets, Beginning of Year          | <u>1,123,194</u>              | <u>-</u>                   | <u>1,123,194</u>    |
| Net Assets, End of Year                | <u>\$ 1,152,611</u>           | <u>\$ -</u>                | <u>\$ 1,152,611</u> |

Empowering Kids Perham  
Statement of Activities  
Year Ended June 30, 2022

|  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total                      |
|--|-------------------------------|----------------------------|----------------------------|
| <b>Revenue, Support, and Gains</b>           |                               |                            |                            |
| Individual contributions and donations       | \$ 112,842                    | \$ -                       | \$ 112,842                 |
| Corporate contributions                      | 4,225                         | -                          | 4,225                      |
| Grants                                       | 92,722                        | -                          | 92,722                     |
| In-kind contributions                        | 3,764                         | -                          | 3,764                      |
| Net Investment return                        | (23,570)                      | -                          | (23,570)                   |
| Paycheck Protection Program loan forgiveness | 55                            | -                          | 55                         |
|  | <u>190,038</u>                | <u>-</u>                   | <u>190,038</u>             |
| Program service fees                         | 428,281                       | -                          | 428,281                    |
| Less scholarships                            | (9,845)                       | -                          | (9,845)                    |
| Net program service fees                     | <u>418,436</u>                | <u>-</u>                   | <u>418,436</u>             |
| Special event revenue                        | 28,808                        | -                          | 28,808                     |
| Less cost of direct benefits to donors       | (10,621)                      | -                          | (10,621)                   |
| Net special events revenue                   | <u>18,187</u>                 | <u>-</u>                   | <u>18,187</u>              |
| Total revenue, support, and gains            | <u>626,661</u>                | <u>-</u>                   | <u>626,661</u>             |
| <b>Expenses</b>                              |                               |                            |                            |
| Program services                             | 774,450                       | -                          | 774,450                    |
| Fundraising                                  | 49,997                        | -                          | 49,997                     |
| Management and general                       | 119,601                       | -                          | 119,601                    |
| Total expenses                               | <u>944,048</u>                | <u>-</u>                   | <u>944,048</u>             |
| Change in Net Assets                         | (317,387)                     | -                          | (317,387)                  |
| Net Assets, Beginning of Year                | <u>1,440,581</u>              | <u>-</u>                   | <u>1,440,581</u>           |
| Net Assets, End of Year                      | <u><u>\$ 1,123,194</u></u>    | <u><u>\$ -</u></u>         | <u><u>\$ 1,123,194</u></u> |



Empowering Kids Perham  
Statement of Functional Expenses  
Year Ended June 30, 2023

|  | Program<br>Services        | Fundraising             | Management<br>and General | Cost of<br>Goods Sold | Total<br>Expenses          |
|--|----------------------------|-------------------------|---------------------------|-----------------------|----------------------------|
| Salaries and Wages   | \$ 656,867                 | \$ 50,533               | \$ 114,214                | \$ -                  | \$ 821,614                 |
| Benefits and Payroll Taxes   | 144,411                    | 11,110                  | 25,109                    | -                     | 180,630                    |
| Office Supplies and<br>related expenses  | 67,925                     | 1,855                   | 11,455                    | -                     | 81,235                     |
| Insurance  | 1,509                      | -                       | 63                        | -                     | 1,572                      |
| Lease  | 40,320                     | -                       | 1,680                     | -                     | 42,000                     |
| Professional Fees  | -                          | -                       | 15,059                    | -                     | 15,059                     |
| Other  | 28,143                     | 1,420                   | 21,902                    | -                     | 51,465                     |
| Depreciation   | 79,890                     | -                       | 3,329                     | -                     | 83,219                     |
| Training   | 13,446                     | -                       | -                         | -                     | 13,446                     |
| Utilities  | 8,274                      | -                       | 345                       | -                     | 8,619                      |
| Parent Education   | 1,663                      | -                       | -                         | -                     | 1,663                      |
| Dues and Subscriptions   | -                          | -                       | 8,151                     | -                     | 8,151                      |
| Advertising  | 2,120                      | 886                     | -                         | -                     | 3,006                      |
| Property Taxes   | -                          | -                       | -                         | -                     | -                          |
| Meals and Entertainment  | 5,924                      | -                       | 223                       | -                     | 6,147                      |
| Contracted Services  | 131                        | -                       | -                         | -                     | 131                        |
| Cost of Direct Benefits to Donors  | -                          | -                       | -                         | 6,679                 | 6,679                      |
| <b>Total expenses by function</b>  | <b><u>1,050,623</u></b>    | <b><u>65,804</u></b>    | <b><u>201,530</u></b>     | <b><u>6,679</u></b>   | <b><u>1,324,636</u></b>    |
| Less Expenses Included with Revenues<br>on the statement of activities                       |                            |                         |                           |                       |                            |
| Cost of direct benefits<br>to donors   | <u>-</u>                   | <u>-</u>                | <u>-</u>                  | <u>(6,679)</u>        | <u>(6,679)</u>             |
| <b>Total expenses included in the<br/>expense section of the<br/>statement of activities</b> | <b><u>\$ 1,050,623</u></b> | <b><u>\$ 65,804</u></b> | <b><u>\$ 201,530</u></b>  | <b><u>\$ -</u></b>    | <b><u>\$ 1,317,957</u></b> |

Empowering Kids Perham  
Statement of Functional Expenses  
Year Ended June 30, 2022

|  | Program<br>Services | Fundraising      | Management<br>and General | Cost of<br>Goods Sold | Total<br>Expenses |
|--|---------------------|------------------|---------------------------|-----------------------|-------------------|
| Salaries and Wages   | \$ 503,636          | \$ 37,604        | \$ 63,560                 | \$ -                  | \$ 604,800        |
| Benefits and Payroll Taxes   | 102,756             | 7,671            | 12,948                    | -                     | 123,375           |
| Office Supplies and<br>related expenses  | 37,692              | 1,601            | 6,217                     | -                     | 45,510            |
| Insurance  | 5,675               | -                | 299                       | -                     | 5,974             |
| Lease  | 27,284              | -                | 1,436                     | -                     | 28,720            |
| Professional Fees  | -                   | -                | 15,575                    | -                     | 15,575            |
| Other  | 16,339              | 347              | 14,126                    | -                     | 30,812            |
| Depreciation   | 56,950              | -                | 2,997                     | -                     | 59,947            |
| Training   | 10,611              | -                | 372                       | -                     | 10,983            |
| Utilities  | 8,053               | -                | 424                       | -                     | 8,477             |
| Parent Education   | 2,198               | -                | -                         | -                     | 2,198             |
| Dues and Subscriptions   | -                   | -                | 1,173                     | -                     | 1,173             |
| Advertising  | 949                 | 2,774            | -                         | -                     | 3,723             |
| Property Taxes   | 1,838               | -                | 97                        | -                     | 1,935             |
| Meals and Entertainment  | 84                  | -                | 377                       | -                     | 461               |
| Contracted Services  | 385                 | -                | -                         | -                     | 385               |
| Cost of Direct Benefits to Donors  | -                   | -                | -                         | 10,621                | 10,621            |
| <b>Total expenses by function</b>  | <b>774,450</b>      | <b>49,997</b>    | <b>119,601</b>            | <b>10,621</b>         | <b>954,669</b>    |
| Less Expenses Included with Revenues<br>on the statement of activities                       |                     |                  |                           |                       |                   |
| Cost of direct benefits<br>to donors   | -                   | -                | -                         | (10,621)              | (10,621)          |
| <b>Total expenses included in the<br/>expense section of the<br/>statement of activities</b> | <b>\$ 774,450</b>   | <b>\$ 49,997</b> | <b>\$ 119,601</b>         | <b>\$ -</b>           | <b>\$ 944,048</b> |

Empowering Kids Perham  
Statements of Cash Flows  
Years Ended June 30, 2023 and 2022

|   | 2023       | 2022         |
|---|------------|--------------|
| Operating Activities  |            |              |
| Change in net assets  | \$ 29,417  | \$ (317,387) |
| Adjustments to reconcile change in net assets to net cash used for operating activities |            |              |
| Depreciation  | 83,219     | 59,947       |
| Realized and unrealized (gain) loss on investments                                      | (78,854)   | 23,758       |
| Gain on disposal of property and equipment  | (34,125)   | -            |
| Contributions of long-lived assets  | (2,500)    | -            |
| Changes in operating assets and liabilities   |            |              |
| Accounts receivable   | (51,447)   | (7,242)      |
| Change in operating lease asset and liability, net                                      | (3,150)    | -            |
| Accounts payable  | 3,524      | (209)        |
| Accrued payroll expenses  | 23,746     | (412)        |
| Net Cash used for Operating Activities  | (30,170)   | (241,545)    |
| Investing Activities  |            |              |
| Proceeds from sale of investments   | 117,113    | 419,262      |
| Purchase of investments   | (29,279)   | (146,731)    |
| Purchase of property and equipment  | (70,647)   | (316,418)    |
| Proceeds from sales of property and equipment   | 59,929     | -            |
| Net Cash from (used for) Investing Activities   | 77,116     | (43,887)     |
| Financing Activity  |            |              |
| Payment of special assessment payable   | -          | (1,177)      |
| Net Cash used for Financing Activities  | -          | (1,177)      |
| Net Change in Cash and Cash Equivalents   | 46,946     | (286,609)    |
| Cash and Cash Equivalents, Beginning of Year  | 91,641     | 378,250      |
| Cash and Cash Equivalents, End of Year  | \$ 138,587 | \$ 91,641    |

## **Note 1 - Organization and Significant Accounting Policies**

### **Organization**

Empowering Kids Perham (Organization) is a nonprofit organization incorporated on July 7, 2017. The Organization is located in Perham, Minnesota and offers high quality and affordable programming designed specifically for children with autism or social challenges.

### **Cash and Cash Equivalents**

All cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, are considered to be cash and cash equivalents.

### **Receivables and Credit Policies**

Accounts receivable consist primarily of noninterest-bearing amounts due for program services and fundraising events. Allowance for credit losses of accounts receivable are determined based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

The carrying amount of the client receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from clients and third-party payors. Management determines the allowance for credit losses of accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

The Organization's accounts receivable balance as of July 1, 2020 was \$25,037.

### **Property and Equipment**

Property and equipment additions over \$250 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment as of June 30, 2023 and 2022.

**Right of Use Assets and Lease Liabilities**

Right-of-use leased assets are recognized at the lease commencement date and represent the Organization's right to use an underlying asset for the lease term. Right-of-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-of-use leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. The amortization period for the Organization's lease is 13.5 years.

**Investments**

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenue and Revenue Recognition**

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promise to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is from cost-reimbursement contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Program service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing care. These amounts are due from individuals, third-party payors, and others. Generally, the Organization bills the individuals and third-party payors after the services are performed. Scholarships provided to students are recorded as a reduction to program service fees in the statements of activities.

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors and discounts provided to uninsured individuals in accordance with the Organization's policy, if applicable. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience.

The nature, amount, timing and uncertainty of revenue and cash flows are affected by several factors that the Organization considers in its recognition of revenue. Following are some of the factors considered:

- Payors (for example, Medicaid or other insurance) have different reimbursement/payment methodologies
- Type of service provided
- Organization's line of businesses that provided the service

For the years ended June 30, 2023 and 2022, the Organization recognized revenue of \$969,977 and \$428,281 related to services provided at a point in time.

**Donated Services and In-Kind Contributions**

In-kind contributions include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 6). The Organization does not sell donated gifts-in-kind. In addition to in-kind contributions, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received (Note 6).

**Functional Allocation of Expenses**

The costs of program and supporting services 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 programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits and payroll taxes which are allocated on the basis of estimates of time and effort. Other expenses, such as utilities, lease expense, liability insurance, property taxes, and depreciation are allocated based on square footage. All other costs are allocated on a units-of-service basis.

**Financial Instruments and Credit Risk**

Deposit concentration risk is managed by placing cash, money market accounts and investments with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Although the fair values of investments are subject to fluctuation on a year-to-year basis, management believes that the investments policies and guidelines are prudent for the long-term welfare of the Organization.

The Organization maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At June 30, 2023 and 2022, the Organization did not have any cash and cash equivalents in excess of FDIC-insured limits.

**Income Taxes**

The Organization is organized as a Minnesota nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c) (3). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

**Adoption of Accounting Standards Codification Topic 842**

Effective July 1, 2022, the Organization adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Organization elected to apply the guidance as of July 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, ASC 840. The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the income statement as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense. The Organization has elected the package of practical expedients permitted in ASC Topic 842. Accordingly, the Organization accounted for its existing lease as an operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2022, the beginning of the adoption period, no cumulative effect adjustment to net assets, an operating lease liability and an operating right-of-use asset of \$480,451. The adoption of the new standard did not materially impact the Organization's statements of activities or statements of cash flows. See Note 5 for further disclosure of the Organization's lease contract.

**Subsequent Events**

The Organization has evaluated subsequent events through May 14, 2024, the date the financial statements were available to be issued.



**Note 2 - Liquidity and Availability**

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

|                           | 2023       | 2022       |
|---------------------------|------------|------------|
| Cash and Cash Equivalents | \$ 138,587 | \$ 91,641  |
| Receivables               | 83,726     | 32,279     |
| Investments               | 717,336    | 726,316    |
|                           | \$ 939,649 | \$ 850,236 |

As part of a liquidity management plan, cash in excess of daily requirements is invested in money market funds and other investments.

**Note 3 - Property and Equipment**

Property and equipment as of June 30, 2023 and 2022 consists of the following:

|                                | 2023       | 2022       |
|--------------------------------|------------|------------|
| Land and Land Improvements     | \$ -       | \$ 29,389  |
| Equipment                      | 180,703    | 159,396    |
| Vehicles                       | 38,675     | 30,385     |
| Furniture and Fixtures         | 222,368    | 209,247    |
| Leasehold Improvements         | 5,000      | 5,000      |
|                                | 446,746    | 433,417    |
| Less: accumulated depreciation | (145,318)  | (84,932)   |
|                                | \$ 301,428 | \$ 348,485 |

**Note 4 - Special Assessments Payable**

Special assessments payable represents amounts due related to land improvements for the Organization. During the year ended June 30, 2023, the Organization sold the related land, therefore the balance of special assessments at June 30, 2023 is \$-0-. The special assessments payable balance at June 30, 2022 was \$11,181.

**Note 5 - Operating Lease**

The Organization leases an office space. The lease is for 15 years under a long-term, non-cancelable operating lease agreement. The lease expires on December 31, 2036 and provides for a renewal option of 5 years. The Organization did not include the renewal option in the determination of the right-of-use asset and lease liability, as the renewal option is not reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Organization estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Organization's applicable borrowing rates and the contractual lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The Company elected the practical expedient to not separate lease and non-lease components for the lease.

Total lease costs for the year ended June 30, 2023 were as follows:

|                      | 2023      |
|----------------------|-----------|
| Operating Lease Cost | \$ 42,000 |

Total lease expense under noncancelable leases was \$28,720 for the year June 30, 2022.

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

|  | 2023      |
|--|-----------|
| Cash paid for amounts included in the measurement of the lease liability |           |
| Operating cash flows from operating leases                               | \$ 42,000 |

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

|  | 2023       |
|--|------------|
| Weighted-Average Remaining Lease Term: |            |
| Operating lease                        | 13.5 years |
| Weighted-Average Discount Rate:        |            |
| Operating lease                        | 3.50%      |

The future minimum lease payments under the noncancelable operating lease with terms greater than one year is listed below as of June 30, 2023.

|                                  | Amount     |
|----------------------------------|------------|
| 2024                             | \$ 42,233  |
| 2025                             | 42,233     |
| 2026                             | 42,233     |
| 2027                             | 42,233     |
| 2028                             | 42,233     |
| Thereafter                       | 358,983    |
| Total lease payments             | 570,148    |
| Less interest                    | (118,795)  |
| Present value of lease liability | \$ 451,353 |

Future minimum payments determined under the guidance in Topic 840 are listed below as of June 30, 2022.

|                              | Amount     |
|------------------------------|------------|
| 2023                         | \$ 42,000  |
| 2024                         | 42,000     |
| 2025                         | 42,000     |
| 2026                         | 42,000     |
| 2027                         | 42,000     |
| Thereafter                   | 441,000    |
| Total minimum lease payments | \$ 651,000 |

### Note 6 - Donation Professional Services and Expenses

Donated professional services to the Organization during the years ended June 30, 2023 and 2022 are as follows:

| Non-Financial<br>Contributions Category | Type of Contributions for<br>Beneficiaries | Valuation                               | Monetized or<br>Utilized | 2023     | 2022     |
|---|--|---|--------------------------|----------|----------|
| Professional fees                       | Professional fees                          | Prices of identical or similar services | Utilized                 | \$ -     | \$ 3,764 |
| Donated property                        | Virtual reality card                       | Prices of identical or similar products | Utilized                 | 2,500    | -        |
| Donated auction items                   | Small items and gift cards                 | Prices of identical or similar products | Monetized                | 118      | -        |
|   |  |   |                          | \$ 2,618 | \$ 3,764 |

## Note 7 - Investments and Fair Value Measurements

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, considering factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's assessment of the quality, risk, or liquidity profile of the asset or liability.

The Organization's investment assets are classified within Level 1 because they are comprised of exchange traded funds, equity funds, and mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis at June 30, 2023:

|                       | Total             | Quoted<br>Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|-----------------------|-------------------|---|---|--|
| Exchange Traded Funds | \$ 5,745          | \$ 5,745  | \$ -  | \$ -   |
| Equity Funds          | 97,674            | 97,674  | -   | -  |
| Mutual Funds          | 613,917           | 613,917   | -   | -  |
|                       | <u>\$ 717,336</u> | <u>\$ 717,336</u>   | <u>\$ -</u>   | <u>\$ -</u>  |

The following tables presents assets measured at fair value on a recurring basis at June 30, 2022:

|                       | Total             | Quoted<br>Prices in<br>Active Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|-----------------------|-------------------|---|---|--|
| Exchange Traded Funds | \$ 5,387          | \$ 5,387  | \$ -  | \$ -   |
| Equity Funds          | 149,163           | 149,163   | -   | -  |
| Mutual Funds          | 571,766           | 571,766   | -   | -  |
|                       | <u>\$ 726,316</u> | <u>\$ 726,316</u>   | <u>\$ -</u>   | <u>\$ -</u>  |

#### Note 8 - Concentration of Credit Risk

The Organization grants credit without collateral to its clients, most of whom are insured under third-party payor agreements. The mix of receivables from their party payors and clients at June 30, 2023 and 2022 was as follows:

|                        | 2023        | 2022        |
|------------------------|-------------|-------------|
| Blue Cross Blue Shield | 34%         | 43%         |
| Self Pay               | 34%         | 34%         |
| Commercial and Other   | 25%         | 18%         |
| Medicaid               | 7%          | 5%          |
|                        | <u>100%</u> | <u>100%</u> |

## **Note 9 - Contingencies**

### **Malpractice Insurance**

The Organization has malpractice insurance coverage to provide protection for professional liability losses on an occurrence basis subject to a limit of \$1 million per claim and an annual aggregate limit of \$3 million.

### **Litigations, Claims, and Other Disputes**

The Organization is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of any litigation, claims, and disputes in process will not be material to the financial position, operations, or cash flows of the Organization.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Federal government activity with respect to investigations and allegations concerning possible violations by health care providers of regulations, could result in the imposition of significant fines and penalties.