REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.

FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2020 AND 2019

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
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Established in 1932
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Your gain...our goal!

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Rehabilitation Center for Children and Adults, Inc.

We have audited the accompanying financial statements of the Rehabilitation Center for Children and Adults, Inc. (a nonprofit organization) which comprise the statements of financial position as of August 31, 2020 and 2019 and the related statements of activities 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 auditor's 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 Rehabilitation Center for Children and Adults, Inc. as of August 31, 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.

Divine, Blalock, Martin & Sellari, LLC

DIVINE, BLALOCK, MARTIN & SELLARI, LLC
March 4, 2021

REHABILITIATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2020 AND 2019

	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 453,897	$ 36,748
Accounts receivable, net of allowance for doubtful accounts of $100,000 and $270,200	310,784	647,284
Other receivables	-	4,000
Prepaid expenses	68,844	65,427
Accrued interest receivable	75,601	98,896
Total current assets	909,126	852,355
Investments (Note B)	18,691,102	19,040,875
Property and equipment, net of accumulated depreciation	291,174	230,503
Total assets	$ 19,891,402	$ 20,123,733
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 63,352	$ 46,917
Deferred revenue	50,000	24,110
Total current liabilities	113,352	71,027
Long Term Liabilities:		
Note Payable	314,789	-
Total long-term liabilities	314,789	-
Total liabilities	428,141	71,027
Net assets:		
Without donor restrictions		
Board designated for endowment	18,227,056	18,198,451
Undesignated	393,781	1,011,831
Total without donor restrictions	18,620,837	19,210,282
With donor restrictions	842,424	842,424
Total net assets	19,463,261	20,052,706
Total liabilities and net assets	$ 19,891,402	$ 20,123,733

The accompanying notes are an integral part of these financial statements.

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
Change in unrestricted net assets:		
Support and Revenue		
Contributions	$ 448,260	$ 460,192
Special events, net	123,484	136,506
Public and private grants	10,000	10,000
Patient and community service revenues, net	390,391	702,478
Interest and dividends, net	460,183	504,339
Insurance Proceeds	21,208	1,000,000
Realized and unrealized gain (loss) on investments (Note B)	565,284	(27,528)
Total support and revenue	2,018,810	2,785,987
Expenses		
Program expenses	2,375,809	2,345,356
Management and general	161,530	217,319
Fundraising	70,916	83,249
Total expenses	2,608,255	2,645,924
Change in net assets without donor restrictions	(589,445)	140,063
Net assets, beginning of year	20,052,706	19,912,643
Net assets, end of year	$ 19,463,261	$ 20,052,706

The accompanying notes are an integral part of these financial statements.

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	Patient Community Services	Management and General	Fund Raising	Total
Salaries & related	$ 985,138	$ 52,615	$ 9,075	$ 1,046,828
Contract services	10,500	-	-	10,500
Health and disability insurance	142,576	10,133	1,748	154,457
Retirement benefits	136,236	7,565	1,305	145,106
Payroll taxes	74,152	4,058	700	78,910
	1,348,602	74,371	12,828	1,435,801
Advertising	2,125	-	3,199	5,324
Bad debt expense	243,611	-	-	243,611
Continuing professional education	2,576	-	-	2,576
Credit card fees	17,284	-	-	17,284
Fundraising expenses	-	-	15,173	15,173
Management information system	20,019	1,741	-	21,760
Membership dues	1,025	155	-	1,180
Occupancy	296,109	24,998	2,432	323,539
Other	2,174	328	970	3,472
Postage	1,276	95	29	1,400
Printing	376	49	23,655	24,080
Professional fees	285,571	53,469	-	339,040
Repairs and maintenance	39,442	1,565	8,643	49,650
Retirement plan fees	1,746	97	17	1,860
Supplies	26,873	1,002	2,379	30,254
Telephone	31,188	2,317	719	34,224
Total expenses before depreciation	2,319,997	160,187	70,044	2,550,228
Depreciation expense	55,812	1,343	872	58,027
Total expenses	$ 2,375,809	$ 161,530	$ 70,916	$ 2,608,255

The accompanying notes are an integral part of these financial statements.

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	Patient Community Services	Management and General	Fund Raising	Total
Salaries & related	$ 956,170	$ 59,231	$ 17,269	$ 1,032,670
Contract services	11,500	-	-	11,500
Health and disability insurance	161,859	10,943	3,191	175,993
Retirement benefits	142,920	8,229	2,399	153,548
Payroll taxes	71,697	4,552	1,327	77,576
	1,344,146	82,955	24,186	1,451,287
Advertising	6,498	-	3,000	9,498
Bad debt expense	165,046	-	-	165,046
Continuing professional education	2,855	-	-	2,855
Credit card fees	20,285	-	-	20,285
Fundraising expenses	-	-	15,231	15,231
Management information system	38,259	1,741	-	40,000
Membership dues	796	254	-	1,050
Occupancy	336,263	51,801	2,939	391,003
Other	1,895	605	835	3,335
Postage	1,528	108	33	1,669
Printing	1,596	469	24,875	26,940
Professional fees	254,759	71,836	-	326,595
Repairs and maintenance	37,659	2,676	7,310	47,645
Retirement plan fees	2,415	139	41	2,595
Supplies	39,794	908	3,149	43,851
Telephone	34,943	2,465	765	38,173
Total expenses before depreciation	2,288,737	215,957	82,364	2,587,058
Depreciation expense	56,619	1,362	885	58,866
Total expenses	$ 2,345,356	$ 217,319	$ 83,249	$ 2,645,924

The accompanying notes are an integral part of these financial statements.

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ (589,445)	$ 140,063
Adjustments to reconcile decrease in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	58,027	58,866
Bad debt expense	243,611	165,046
Realized and unrealized (gain) loss on investments	(565,284)	27,528
Changes in operating non-cash assets & liabilities:		
Accounts receivable	92,889	(452,225)
Estate gift receivable	-	500,000
Other receivables	4,000	-
Accrued interest receivable	23,295	(17,198)
Prepaid expenses	(3,417)	13,288
Accrued interest receivable	-	(4,000)
Accounts payable and acrrued expenses	16,435	18,611
Deferred revenue	25,890	9,360
Net cash provided by (used in) operating activities	(693,999)	459,339
Cash flows from investing activities:		
Proceeds from sales of investments	23,717,975	9,223,937
Purchase of investments	(22,802,866)	(10,321,491)
Purchase of property and equipment	(118,750)	(110,486)
Net cash provided by (used in) investing activities	796,359	(1,208,040)
Cash flows from financing activities:		
Proceeds from long-term debt	314,789	-
Net cash provided by (used in) financing activities	314,789	-
Increase (Decrease) in cash and cash equivalents	417,149	(748,701)
Cash and cash equivalents, beginning of year	36,748	785,449
Cash and cash equivalents, end of year	$ 453,897	$ 36,748

The accompanying notes are an integral part of these financial statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Rehabilitation Center for Children and Adults, Inc. (the Center), located in the Town of Palm Beach, Florida, is a comprehensive outpatient rehabilitation facility that provides physical, occupational, and speech therapy and pre-school education. The Center renders services to the general public, substantially all of whom are residents of Palm Beach County, Florida. It is the Center's policy to provide services to those in need regardless of the patient's ability to pay. Services are also rendered to patients under agreements with third-party payers, including Medicare. Such agreements provide for payments to the Center at amounts substantially less than its established rates. The Center is significantly dependent upon gifts and contributions to assist in subsidizing predetermined service rate adjustments and major charitable care allowances.

Basis of accounting

The Center’s financial statements presented herein have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of presentation

The Center prepares its financial statement in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC). The Center is required to report information regarding its financial position and activities according to each class of net assets in accordance with donor restrictions, if any. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

> ***Net assets without donor restrictions*** **–** Net assets available for the support of the Center’s operations. The unrestricted net assets may be used at the discretion of the Center’s management and the Board of Governors.
>
> ***Net assets with donor restrictions*** **–** Net assets subject to donor-imposed stipulations that limit the use of the donated assets. When a donor restriction expires, that is when the stipulated time restriction ends or purpose restriction is accomplished, 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. This classification also includes net assets subject to donor-imposed stipulations to be maintained permanently by the Center. Generally, earnings from endowed contributions and investments are unrestricted or may also be restricted for specific purposes.

The amounts for each class of net assets are required to be displayed in a statement of financial position and the amount of the change in each class of net assets are required to be displayed in a statement of activities.

Reclassification

Certain prior year amounts have been reclassified to conform to current year's presentation. The reclassifications had no effect on previously reported net assets or increase in net assets.

Cash and cash equivalents

Bank deposit accounts are maintained at high credit-facility financial institutions. The Center considers all demand deposit accounts and liquid investments available for current use with an initial maturity three months or less to be cash equivalents, except for such similar investments that are held and remain classified within the investment portfolio.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Accounts receivable arising from patient services is reported at the estimated net realizable amounts due from patients, Medicare and other third-party payers (private insurance). Charitable allowances and other amounts not collectable, such as insurance caps and limitations placed on Medicare and private insurance reimbursements, are provided for when services are rendered. Patients' accounts receivable is also evaluated periodically and additional allowances are provided based on management's analysis of each account's delinquency status, a reassessment of the patient's ability to pay, and the probability of collection. Patient receivables, net of the allowance for uncollectible accounts, represents the amount expected to be collected in cash within the short term (not to exceed one year); therefore, the carrying amount of accounts receivable approximates the fair value. As of August 31, 2020, and 2019, accounts receivable were $310,784 and $647,284, respectively net of allowance for doubtful accounts of $100,000 and $270,200, respectively.

Estate gift receivable

Estate gifts that are due and not received as of the financial statement date are accrued as receivables when probate court has declared the will valid. The Center reduced the personal representative's estimate of the gift for additional fees and adverse market fluctuations.

Investments

The Center carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Realized gains and losses from security transactions are reported on the specific identification method based on the difference between the sales price of the security and its cost basis. Unrealized gains and losses are included in the in the accompanying Statements of Activities as increases or decreases in net assets without donor restrictions. Dividend income is accrued on the ex-dividend date and interest is recorded in the period earned.

The Center manages its investment risk through the ongoing monitoring efforts of a committee of Board members and the employment of an independent professional investment advisor.

Property and equipment

Property and all equipment acquisitions of $1,500 or more are capitalized while lesser amounts are expensed. Property items received as gifts are recorded at their estimated market value as of the date of the gift.
Depreciation of property and equipment is calculated on the straight-line method over the estimated useful lives, as follows:

Buildings and improvements	19-40 years
Aquatic treatment center equipment	5-10 years
Other treatment equipment	5-10 years
Furniture, fixtures, and equipment	5-10 years
Computer equipment	3-5 years

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Patient service revenue recognition

Patient service revenue is recognized as revenue in the period in which the related patient services are provided. Patient fees are recorded at the Center's standard rates and adjusted for estimated allowances and uncollectible amounts.

Revenue from Medicare accounted for approximately 78% of the net patient service revenue in 2020. Laws and regulations governing the Medicare program are complex and subject to interpretation. The Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare program.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as increases in net assets. Conditional promises to give are recognized when the conditions are substantially met. Support received under a local government grant is recorded over the contract's term, generally one year. Gifts of cash and other assets are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified and reported in the statements of activity as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as support without donor restrictions.

Contributions of securities, goods and other in-kind assets are recorded at fair value and as support without donor restrictions unless the donor stipulates how the donated asset must be used. Contributions of long-lived assets with restrictions are reported as support with donor restrictions until the asset is placed in service. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions until the asset is acquired and placed in service.

Contributed services

A number of volunteers donate a substantial number of hours to the Center's fund-raising campaigns; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Members of the Center's Board of Governors also contribute a substantial amount of time to the Center's policy-making, management and administrative activities. The Center's Board members are not compensated for their services and no amounts have been provided to reflect the fair value of such.

Financial Instruments

The carrying value of cash and cash equivalents, accounts receivable, deferred revenue, accounts payable and accrued expenses are stated at carrying cost as August 31, 2020, which approximates fair value due to the relatively short maturity of these instruments.

Concentrations of credit risk

The Center, at times, has cash in banks in excess of FDIC insurance limits and places its temporary cash investments with high credit-quality financial institutions.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

In the accompanying statements of activities, expenses have been reported by their functional classification, a method of grouping expenses according to the purpose for which they were incurred. The primary functional classifications are program services and supporting activities. Program services are the activities that result in services being provided to members that fulfill the purposes or mission for which the organization exists. Supporting activities are all activities of organizations other than program services and are included in the financial statements as management and general expenses and fundraising expenses.

The Center allocates its expenses on a functional basis among its programs and supporting services. Expenses that can be identified with a specific program and supporting service are allocated directly according to their natural expenditure classification in the statement of activities. Other expenses that are common to several functions are allocated by various statistical bases.

Income Taxes

The Center qualifies as a tax-exempt Organization, other than a private Foundation, under Section 501(c) (3) of the Internal Revenue Code and therefore, has no provision for federal income taxes. The Center qualifies as a public charity under the Internal Revenue Code.

The Center files required income tax returns in the U.S. federal jurisdiction. With few exceptions, the Center is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2014. The Center has concluded no material uncertain tax positions have been taken on any open tax returns. For the current year the Center believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider.

Special Events, Net

The Center conducts special events for the purpose of raising money for operations and for the child care building. The Center had revenues of $171,290 and $210,541 less related expenses of $47,806 and $74,035 for the years ended August 31, 2020 and 2019, respectively.

Advertising

The Center uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising was $5,324 and $9,498 for years ending August 31, 2020 and 2019, respectively.

Use of Estimates

The preparation of financial statements in conformity with FASB ASC requires management to make estimates and assumptions that affect: the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in Accounting Principles

The Financial Accounting Standards Board (FASB) issued the following Accounting Standards Updates (ASU) that were effective for the Organization in 2020:

- ASU 2014-09, *Revenue from Contracts with Customers*, and five subsequent amendments to ASU 2014-09 (collectively "ASU 2014-09"), clarifies the principles for recognizing revenue and creates common revenue recognition guidance for U.S. generally accepted accounting principles (GAAP). The revenue recognition principles of ASU 2014-09 apply only to exchange transactions and not to contributions and other nonreciprocal transfers to the Organization. The ASU was applied using the modified retrospective method.
- ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which clarifies the guidance for evaluating whether transactions are accounted for as contributions or exchange transactions and determining whether a contribution is conditional.

The cumulative impact from adopting these ASUs did not result in any changes to the previously reported amounts as of and for the year ended August 31, 2020.

Recent Accounting Pronouncements

The FASB has issued the following accounting standards updates that may affect the Center in future years. Management has not completed its analysis of effects, if any, of the following updates:

ASU 2016-02, Leases, will be effective for the Center for the year ending August 31, 2023 and must be adopted using a modified retrospective method. ASU 2016-02 generally requires lessees to recognize assets and liabilities arising from leases on the statement of financial position.

NOTE B – INVESTMENTS

A single investment pool is maintained for investments held for general operational uses and for endowed funds. Investments include funds restricted in perpetuity by donors for patient care and amounts designated by the Board of Governors for contingencies and the possible lack of future earnings. The portion restricted, $842,424 at August 31, 2020 and 2019, is stated at the original face amount of the endowment gift and has not been adjusted for earnings or for the appreciation or depreciation in value on the invested funds.

The following table summarizes the investment portfolio, at fair value, as of August 31, 2020 and 2019:

	2020	2019
Money market fund	$ 1,391,781	$ 1,150,876
Equity securities, options and other	6,839,882	5,986,108
Corporate, municipal and US treasury bonds	10,459,439	11,903,891
	$ 18,691,102	$ 19,040,875

NOTE B – INVESTMENTS (CONTINUED)

As part of its routine investment strategy, the Center holds and writes call options in its equity portfolio for the purpose of hedging the risks of certain identifiable and anticipated transactions. Outstanding options were reported as marketable equity securities at a fair value of $(42,970) and $(57,179) as of August 31, 2020 and 2019, respectively. The changes in value of the options, as well as the change in value of the hedged items attributable to the risk being hedged are included in unrealized gains and losses. During 2020 and 2019, the Center realized net gains (losses) of $(136,076) and $(144,477), respectively, from option transactions.

The net investment gain (loss) for the years ended August 31, 2020 and 2019 is summarized as follows:

	2020	2019
Realized gain (loss), net	$ 187,075	$ 3,756
Unrealized gain (loss), net	378,209	(31,284)
Net investment gain (loss)	$ 565,284	$ (27,528)

Investment fees of $50,909 and $49,331 for the years ended August 31, 2020 and 2019, respectively, are included with interest and dividends, net on the statements of activities.

NOTE C – FAIR VALUE MEASUREMENTS

The Center uses a three-tier hierarchy established by the FASB ASC to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1: quoted prices in active markets for identical investments.
- Level 2: other significant observable inputs (including quoted prices for similar investments in active markets, interest rates and yield curves, prepayment speeds, credit risks, etc.)
- Level 3: significant unobservable inputs (including the Center's own assumptions in determining the fair value of investments).

The Center's financial instruments measured at fair market value include investments that are measured according to Level 1. Those financial instruments that are not disclosed under this hierarchy of fair value include cash equivalents, receivables, payables and accruals, all of which approximate fair value due to their short-term nature.

NOTE D – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and related accumulated depreciation as of August 31, 2020 and 2019:

	2020	2019
Land	$ 78,726	$ 78,726
Buildings and improvements	2,208,999	2,194,094
Aquatic treatment center equipment	576,007	598,832
Other treatment equipment	246,562	310,994
Furniture, fixtures and equipment	90,091	158,269
Computer equipment	56,659	76,181
	3,257,044	3,417,096
Less accumulated depreciation	(2,965,870)	(3,186,593)
Property and equipment, net	$ 291,174	$ 230,503

NOTE E – PATIENT SERVICE REVENUE

Patient service revenue is summarized as follows for the years ended August 31, 2020 and 2019:

	2020	2019
Revenue at standard rates	$ 536,160	$ 880,412
Allowances and uncollectible accounts	(145,769)	(177,934)
Net patient service revenue	$ 390,391	$ 702,478

The Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, the normal fee is adjusted to allowances and uncollectible accounts. Allowances granted to patients amounted to 27.19% and 20.21% of total standard fees for 2020 and 2019, respectively.

NOTE F – LONG-TERM DEBT

The Center received a loan from Iberia Bank in the amount of $314,789 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated April 30, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures such as payroll and other expenses described in the CARES Act. No determination has been made as to whether the Organization will be eligible for forgiveness, in whole or in part. The loan bears interest at a rate of 1% and is payable in monthly installments of principal and interest over 24 months beginning 6 months from the date of the note. The loan may be repaid at any time with no prepayment penalty. Management believes that expenditures of the loan proceeds have met the conditions for future forgiveness of the loan.

NOTE G – ENDOWMENT AND NET ASSETS WITH DONOR RESTRICTIONS

The Center's endowment is established for the purposes expressed in the mission of the Center and consists of the donor-restricted endowment fund and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. As of August 31, 2020, and 2019, the Center's endowment consists of net assets that are both Board Designated and donor restricted.

Funds with deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor requires the Center to retain as a fund of perpetual duration. Any losses are recorded as reductions in net assets without donor restrictions and restored with subsequent gains. As of August 31, 2020, and 2019, there are no funds with deficiencies.

Interpretation of relevant law

Effective July 1, 2012, the Center adopted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA). FUPMIFA requires the Board of Governors to use reasonable care, skill and caution as exercised by a prudent investor, in considering the investment management and expenditures of endowment funds. In accordance with FUPMIFA, the Board of Governors may expend so much of an endowment fund as the Board of Governors determines to be prudent for the uses and purposes for which the endowment fund is established, consistent with the goal of conserving the purchasing power of the endowment fund.

Objectives and strategies employed

To satisfy its long-term rate-of-return objectives, the Center seeks to provide a moderate level of income flow with a capital appreciation objective. The emphasis is on capital appreciation.

Return objectives and risk parameters

The Center has adopted spending and investment policies for the endowment assets that attempt to provide a predictable stream of funding to the Center's operations while seeking to maintain the purchasing power of the endowment assets. Endowment assets consist of funds that are to be held in perpetuity

Spending policy

To accommodate its long-term investment and operating objectives, the Center intends to annually appropriate between 3% to 6% of the 3-year trailing average of the endowment as measured on August 31st of each year. The exact percentage to be determined annually in light of circumstances existing at that time.

The Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:
1. The duration and preservation of the fund.
2. The purposes of the Center and the donor-restricted endowment fund.
3. General economic conditions, and the possible effect of inflation and deflation.
4. The expected total return from income and the appreciation (depreciation) of investments.
5. Other resources of the Center.
6. The investment policies of the Center.

NOTE G – ENDOWMENT AND NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Endowment net assets by type of fund as of August 31, 2020, consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 842,424	$ 842,424
Board designated endowment funds	18,773,918	-	18,773,918
Total endowment net assets	$ 18,198,451	$ 842,424	$ 19,616,342

Changes in endowment net assets, and reconciliation to investment balances for the year ended August 31, 2020, consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 18,198,451	$ 842,424	$ 19,040,875
Investment return:			
Investment income	511,092	-	511,092
Investment expenses	(50,909)	-	(50,909)
Net appreciation (depreciation)	565,284	-	565,284
Total investment return	1,025,467	-	1,025,467
Contributions and bequests	3,138	-	3,138
Spend rate appropriations	(1,000,000)	-	(1,000,000)
Other appropriations & transfers	-	-	-
Endowment net assets, end of year	$ 18,227,056	$ 842,424	$ 19,069,480

NOTE H – RETIREMENT PLANS

The Center offers an IRC *Section 403(b) tax-deferred retirement program* in which participants may contribute up to the maximum allowable by the Internal Revenue Code (“IRC”). All amounts contributed by the participants vest immediately and, at retirement, may be withdrawn in a variety of ways including, but not limited to, monthly, in a lump sum, or over a set period of time. The Center does not contribute to this 403(b) Plan.

Effective January 1, 2017, the Center initiated another IRC *Section 403(b) profit-sharing plan.* The plan covers all employees who have attained the age of 21 and completed 6 months of service. Employer contributions are discretionary and determined by the board. Employer contributions are 100% vested upon entering the plan. To be eligible for the employer matching, employees must complete 1,000 hours in the plan year, and there are no service requirements for the employer profit sharing portion of the plan. The Center’s contribution to the plan was $145,106 and $153,548 for the years ended August 31, 2020 and 2019, respectively.

NOTE I – LEGAL MATTERS

From time to time, the Center is subject to legal proceedings which arise in the ordinary course of its operations. Management believes that the final resolution of these matters will not have a material adverse effect on the Center's financial position, cash flows, or results of operations.

NOTE J - TARGET BENEFIT RETIREMENT PLAN

In connection with the events and circumstances described below, the Center's Target Benefit Plan was amended to freeze any further benefit accruals on November 16, 2016. On or about September 6, 2019, the Center funded the Plan with approximately $5.8Million and thereafter distributed funds to Plan participants/beneficiaries. As of this date all Plan assets have been distributed and all related account(s) are closed.

For many years the Center maintained an active Target Benefit Retirement Plan (the Plan) that covered all full-time employees who attained the age of 21 years and who completed at least 1,000 hours of service within the year. A target benefit plan is a defined contribution plan with similarities to a defined benefit plan in that the age of the participants, their current and projected income levels, and length of employment are key factors in determining the amount of the Center's contribution to the plan on their behalf. The target or assumed benefit is used only for determining the annual contribution, but there is no guaranteed benefit as exists with a defined benefit plan.

During the summer of 2016, the Board made inquiries of the plan administrator, a long-time board member, as to the financial status of the Plan. The plan administrator's responses were delayed and unsatisfactory and an inquiry directed to the Plan Custodian disclosed a significant discrepancy between the assets reported by the plan administrator and those reported by the Custodian. Following a lengthy investigation, a successful criminal prosecution of the plan administrator, and partial monetary recovery from various sources, the Center fully funded the Plan and paid out all participants as of December 30, 2019.

While the Plan is essentially terminated, the Center continues to seek reimbursement for the balance of damages incurred though litigation with a responsible party. The outcome of that action is uncertain.

NOTE K – LIQUIDITY

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts not available for general expenditures within one year of the statement of financial position date ending August 31.

	2020	2019
Financial Assets		
Cash and cash equivalents	$ 453,897	$ 36,748
Accounts receivable	310,784	647,284
Estate gift receivable	-	-
Other receivables	-	4,000
Financial assets available to meet cash needs for general expenditures with one year	$ 764,681	$ 688,032

NOTE K – LIQUIDITY(CONTINUED)

The Center is primarily supported by contributions, bequests, patient service revenue and annual endowment draws. As part of the Center's liquidity management, it structures financial assets to be available as its general expenditures, liabilities, and other obligations come due. The endowment is subject to an annual spending rate as described in Note G above. Although the Center does not intend to spend from this endowment (other than amounts appropriated for general expenditures as part of the Board's annual budget approval and appropriation), these amounts could be made available in the event deemed necessary.

NOTE L – SUBSEQUENT EVENTS

In the normal course of preparing the Center's financial statements, management reviews events that occur after the statement of financial position date, August 31, 2020, for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through March 4, 2021, which is the date the financial statements were available to be issued.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our patients, parents/students, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

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