REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

AUGUST 31, 2025 AND 2024

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
TABLE OF CONTENTS

Page

Independent Auditor's Report 1-2

Financial Statements:

Statements of Financial Position 3

Statements of Activities 4

Statements of Functional Expenses 5-6

Statements of Cash Flows 7

Notes to Financial Statements 8-19

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Rehabilitation Center for Children and Adults, Inc (a nonprofit organization) which comprise the statements of financial position as of August 31, 2025 and 2024 and the related statements of activities 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 Rehabilitation Center for Children and Adults, Inc as of August 31, 2025 and 2024, and the results of its operations and its 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Rehabilitation Center for Children and Adults, Inc 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rehabilitation Center for Children and Adults, Inc 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 Rehabilitation Center for Children and Adults, Inc 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

Divine, Blalock, Martin & Sellari, LLC

DIVINE, BLALOCK, MARTIN & SELLARI, LLC
West Palm Beach, FL
November 24, 2025

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2025 AND 2024

	2025	2024
ASSETS		
Current assets:		
Cash and cash equivalents	$ 160,437	$ 190,222
Accounts receivable, net of allowance for doubtful accounts of $24,192 and $36,000	175,621	144,848
Prepaid expenses	98,239	105,212
Accrued interest receivable	136,976	120,198
Total current assets	571,273	560,480
Investments (Note B)	23,565,737	22,025,999
Property and equipment, net of accumulated depreciation	655,044	492,524
Total assets	$ 24,792,054	$ 23,079,003
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 29,070	$ 20,678
Deferred revenue	136,013	45,723
Total current liabilities	165,083	66,401
Total liabilities	165,083	66,401
Net assets:		
Without donor restrictions		
Board designated for endowment	22,723,313	21,183,575
Undesignated	1,061,234	986,603
Total without donor restrictions	23,784,547	22,170,178
With donor restrictions	842,424	842,424
Total net assets	24,626,971	23,012,602
Total liabilities and net assets	$ 24,792,054	$ 23,079,003

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

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENTS OF ACTIVITIES
AS OF AUGUST 31, 2025 AND 2024

	2025	2024
Change in unrestricted net assets:		
Support and Revenue		
Contributions	$ 724,782	$ 2,288,272
Special events, net	313,138	335,498
Public and private grants	40,000	10,000
Patient and community service revenues, net	295,351	512,188
Interest and dividends, net	671,190	638,940
Other income - employee retention credit	229,703	-
Realized and unrealized gain (loss) (Note B)	1,694,038	1,837,599
Total support and revenue	3,968,202	5,622,497
Expenses		
Program expenses	2,165,213	2,604,976
Management and general	110,269	106,965
Fundraising	78,351	67,046
Total expenses	2,353,833	2,778,987
Change in net assets without donor restrictions	1,614,369	2,843,510
Net assets, beginning of year	23,012,602	20,169,092
Net assets, end of year	$ 24,626,971	$ 23,012,602

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

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
AS OF AUGUST 31, 2025

	Patient Community Services	Management and General	Fund Raising	Total
Salaries & related	$ 1,090,637	$ 49,563	$ -	$ 1,140,200
Contract services	12,000	-	-	12,000
Health and disability insurance	152,236	5,178	-	157,414
Retirement benefits	145,730	5,696	-	151,426
Payroll taxes	82,089	3,792	-	85,881
	1,482,692	64,229	-	1,546,921
Advertising	-	-	4,517	4,517
Bad debt expense	-	-	-	-
Continuing education	3,510	-	-	3,510
Credit card fees	15,798	-	-	15,798
Fundraising expenses	-	-	25,141	25,141
Management information system	9,121	-	129	9,250
Membership dues	2,221	187	-	2,408
Occupancy	409,292	21,771	4,354	435,417
Other	2,306	194	1,689	4,189
Postage	672	100	35	807
Printing	610	46	29,703	30,359
Professional fees	20,679	16,000	-	36,679
Repairs and maintenance	43,681	1,447	5,420	50,548
Retirement plan fees	3,038	118	-	3,156
Supplies	25,258	1,163	4,716	31,137
Telephone	11,097	1,648	573	13,318
Travel	2,193	185	-	2,378
Total expenses before depreciation	2,032,168	107,088	76,277	2,215,533
Depreciation expense	133,045	3,181	2,074	138,300
Total expenses	$ 2,165,213	$ 110,269	$ 78,351	$ 2,353,833

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

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
AS OF AUGUST 31, 2024

	Patient Community Services	Management and General	Fund Raising	Total
Salaries & related	$ 1,046,872	$ 46,980	$ -	$ 1,093,852
Contract services	10,000	-	-	10,000
Health and disability insurance	166,729	7,310	-	174,039
Retirement benefits	142,976	6,516	-	149,492
Payroll taxes	78,988	3,594	-	82,582
	1,445,565	64,400	-	1,509,965
Advertising	-	-	3,640	3,640
Bad debt expense	517,995	-	-	517,995
Continuing education	4,487	-	-	4,487
Credit card fees	17,389	-	-	17,389
Fundraising expenses	-	-	20,774	20,774
Management information system	9,854	140	-	9,994
Membership dues	1,113	94	-	1,207
Occupancy	385,179	20,494	3,054	408,727
Other	1,153	97	610	1,860
Postage	902	47	16	965
Printing	1,146	74	27,317	28,537
Professional fees	11,591	16,000	-	27,591
Repairs and maintenance	38,508	1,331	7,066	46,905
Retirement plan fees	2,616	119	-	2,735
Supplies	22,734	340	2,284	25,358
Telephone	11,624	605	210	12,439
Travel	360	30	-	390
Total expenses before depreciation	2,472,216	103,771	64,971	2,640,958
Depreciation expense	132,760	3,194	2,075	138,029
Total expenses	$ 2,604,976	$ 106,965	$ 67,046	$ 2,778,987

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

REHABILITATION CENTER FOR CHILDREN AND ADULTS, INC.
STATEMENTS OF CASH FLOWS
AS OF AUGUST 31, 2025 AND 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	$ 1,614,369	$ 2,843,510
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	138,300	138,029
Bad debt expense	-	517,995
Realized and unrealized (gain) loss on investments	(1,694,038)	(1,837,599)
Changes in operating non-cash assets & liabilities:		
Accounts receivable	(30,773)	(187,750)
Accrued interest receivable	(16,778)	(29,733)
Prepaid expenses	6,973	(22,023)
Accounts payable and accrued expenses	8,392	(27,681)
Deferred revenue	90,290	3,223
Net cash provided by operating activities	116,735	1,397,971
Cash flows from investing activities:		
Proceeds from sales of investments	10,110,401	8,050,779
Purchase of investments	(9,975,227)	(9,212,609)
(Purchase) disposal of property and equipment, net	(281,694)	(136,063)
Net cash (used in) provided by investing activities	(146,520)	(1,297,893)
Increase (decrease) in cash and cash equivalents	(29,785)	100,078
Cash and cash equivalents, beginning of year	190,222	90,144
Cash and cash equivalents, end of year	$ 160,437	$ 190,222

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 changes in net assets.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Fair value of 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 of August 31, 2025, which approximates fair value due to the relatively short maturity of these instruments.

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.

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.

Accounts receivable & allowance for credit losses

The Center's accounts receivable, which are unsecured, are primarily derived from patient services and are 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. 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.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable & allowance for credit losses, continued

Receivables past due more than 90 days are considered delinquent. Delinquent receivables are written off when management has determined that the amount will not be collected based on consideration of the credit evaluation and specific circumstances of the patient. At each balance sheet date, the Center evaluates the likelihood of uncollected accounts and recognizes an expected allowance for credit losses based on the requirement of ASU 2016-13 (see Recent Adopted Accounting Pronouncements). In addition, also at each reporting date, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded.

The estimate is calculated on a pooled basis where similar risk characteristics exist. Accounts receivable is also evaluated individually when they do not share similar risk characteristics which could exist in circumstances where amounts are considered at risk or uncollectible.

The allowance estimate is derived from a review of the Center's historical losses based on the aging of receivables. This estimate is adjusted for management's assessment of current conditions, reasonable and supportable forecasts regarding future events, and any other factors deemed relevant by the Center. The Center believes historical loss information is a reasonable starting point in which to calculate the expected allowance for credit losses as the Center's accounts receivable have remained constant since the Center's inception.

The Center writes off a receivable when there is information that indicates the debtor is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or as offset to credit loss expense in the year of recovery, in accordance with the Center's accounting policy election. The total amount of write-offs were $0 and $517,995 for the years ended August 31, 2025 and 2024, respectively.

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, 2025 and 2024, accounts receivable were $175,621, and $144,848, respectively net of allowance for doubtful accounts of $24,192 and $36,000, respectively.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Impairment of long-lived assets

The Center reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the asset's carrying value over its estimated fair value. No impairment loss has been recognized by the Foundation for the years ended August 31, 2025 and 2024.

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 25% of the net patient service revenue in 2025. 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.

Special events, net

The Center conducts special events, including the Annual Soiree and Spring Luncheon, for the purpose of raising money for operations and for the child care building. The Center had revenues of $400,223 and $431,231 less related expenses of $87,085 and $95,823 for the years ended August 31, 2025 and 2024, respectively.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonfinancial assets

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.

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.

Advertising

The Center uses advertising to promote its programs. Advertising costs are expensed as incurred. Advertising was $4,517 and $3,640 for years ending August 31, 2025 and 2024, respectively.

Concentrations of credit risk

Financial instruments that potentially subject the Center to concentrations of credit risk consist principally of cash deposits at financial institutions and investments. At times, balances in the Center’s cash and investment accounts exceed Federal Deposit Insurance Corporation (FDIC) or Securities Investors Protection Corporation (SIPC) limits.

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 patients that fulfill the purposes or mission for which the Center exists. Supporting activities are all activities of Centers 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 2022. 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.

Recent adopted accounting pronouncements

In June 2016, the FASS issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model.

Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASS ASC 326 were trade accounts receivable. The Organization adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures.

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, 2025 and 2024, 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, 2025 and 2024:

	2025	2024
Money market fund	$ 1,182,670	$ 1,035,412
Equity securities, options and other	10,711,573	8,042,820
Corporate, municipal and US treasury bonds	11,671,494	12,947,767
	$ 23,565,737	$ 22,025,999

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 $298,017 and $217,985 as of August 31, 2025 and 2024, 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 2025and 2024, the Center realized net (losses) of $22,598 and $(93,281), respectively, from option transactions.

The net investment gain (loss) for the years ended August 31, 2025 and 2024 is summarized as follows:

	2025	2024
Realized gain (loss), net	$ 1,054,553	$ 144,018
Unrealized gain (loss), net	639,485	1,693,581
Net investment gain (loss)	$ 1,694,038	$ 1,837,599

Investment fees of $81,514 and $86,365 for the years ended August 31, 2025 and 2024, 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, 2025 and 2024:

	2025	2024
Land	$ 78,726	$ 78,726
Buildings and improvements	2,390,131	2,133,885
Aquatic treatment center equipment	162,227	156,654
Other treatment equipment	219,565	209,643
Furniture, fixtures and equipment	37,997	37,997
Computer equipment	41,349	31,396
	2,929,995	2,648,301
Less accumulated depreciation	(2,274,951)	(2,155,777)
Property and equipment, net	$ 655,044	$ 492,524

NOTE E – PATIENT SERVICE REVENUE

Patient service revenue is summarized as follows for the years ended August 31, 2025 and 2024:

	2025	2024
Revenue at standard rates	$ 638,150	$ 617,274
Allowances and uncollectible accounts	(342,799)	(105,086)
Net patient service revenue	$ 295,351	$ 512,188

NOTE E – PATIENT SERVICE REVENUE (CONTINUED)

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 54% and 17% of total standard fees for 2025 and 2024, respectively.

NOTE F – 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, 2025, and 2024, 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, 2025, and 2024, 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.

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

Spending policy

To accommodate its long-term investment and operating objectives, the Center intends to annually appropriate between 4% 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.

Endowment net assets by type of fund as of August 31, 2025, consist of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 842,424	$ 842,424
Board designated endowment funds	22,723,313	-	22,723,313
Total endowment net assets	$ 22,723,313	$ 842,424	$ 23,565,737

Changes in endowment net assets, and reconciliation to investment balances for the year ended August 31, 2024, consist of the following:

Endowment net assets, beginning of year	$ 21,183,575	$ 842,424	$ 22,025,999
Investment return:			
Investment income	752,704	-	752,704
Investment expenses	(81,514)	-	(81,514)
Net appreciation (depreciation)	1,694,038	-	1,694,038
Total investment return	2,365,228	-	2,365,228
Contributions and bequests	333,948	-	333,948
Spend rate appropriations	(1,130,000)	-	(1,130,000)
Other appropriations & transfers	(29,438)	-	(29,438)
Endowment net assets, end of year	$ 22,723,313	$ 842,424	$ 23,565,737

NOTE G – 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 $151,426 and $149,492 for the years ended August 31, 2025 and 2024, respectively.

NOTE H – 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 I – 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.

	2025	2024
Financial Assets		
Cash and cash equivalents	$ 160,437	$ 190,222
Accounts receivable	175,621	144,848
Financial assets available to meet cash needs for general expenditures within one year	$ 336,058	$ 335,070

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 F 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 J – 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, 2025, for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through November 24, 2025, which is the date the financial statements were available to be issued.