Special Kids, Inc.

Consolidated Financial Statements
For the Years Ended December 31, 2023 and 2022

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Contents

Independent Auditor's Report

Board of Directors
Special Kids, Inc.

Opinion
We have audited the consolidated financial statements of Special Kids, Inc. and Affiliate (the Organization), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, 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.

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 for 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.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the 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 within one year after the date that the financial statements are issued or 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 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.

Blankenship CPA Group PLLC

Blankenship CPA Group, PLLC
Nashville, Tennessee
April 18, 2024

Special Kids, Inc.

Consolidated Statements of Financial Position

December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash and cash equivalents	$ 2,166,203	$ 2,679,540
Certificates of deposit	102,990	-
Investments	75,068	47,212
Accounts receivable, net	38,975	78,487
Promises to give, net	51,850	25,500
Employee retention credits receivable	96,401	97,001
Prepaid expenses and other	43,835	53,454
Total current assets	2,575,322	2,981,194
Property and equipment, net	2,318,758	2,408,791
Cash restricted to donor endowment	104,116	108,155
Beneficial interest in assets held by Community Foundation of Middle Tennessee	2,683,110	2,281,512
Total assets	**$ 7,681,306**	**$ 7,779,652**
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 20,775	$ 8,252
Accrued expenses	200,878	199,300
Deferred revenue	127,047	84,989
Total current liabilities	348,700	292,541
Net assets		
Without donor restrictions, undesignated	4,334,747	4,191,148
Without donor restrictions, board designated	239,069	239,069
With donor restrictions	2,758,790	3,056,894
Total net assets	7,332,606	7,487,111
Total liabilities and net assets	**$ 7,681,306**	**$ 7,779,652**

Special Kids, Inc.
Consolidated Statement of Activities
For the Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Revenue and Support			
Patient fees			
Bureau of TennCare	$ 410,933	$ -	$ 410,933
Private insurance	1,033,219	-	1,033,219
Private pay	151,083	-	151,083
Total patient fees	1,595,235	-	1,595,235
Other revenue and support			
Contributions of cash and other financial assets	969,083	229,132	1,198,215
Contributions of nonfinancial assets	40,462	-	40,462
Special events and activities, net	64,857	-	64,857
Fundraising events ticket sales, net amounts of direct benefit to donor totaling $35,367	125,240	-	125,240
Investment income (loss), net	44,400	280,163	324,563
Net assets released from restrictions	807,399	(807,399)	-
Total other revenue and support	2,051,441	(298,104)	1,753,337
Total revenue and support	3,646,676	(298,104)	3,348,572
Expenses			
Program services	2,588,385	-	2,588,385
Management and general	574,533	-	574,533
Fundraising	340,969	-	340,969
Total expenses	3,503,887	-	3,503,887
Other income (expenses)			
Miscellaneous income	479	-	479
Gain (loss) on disposal of equipment	331	-	331
Total other income (expenses)	810	-	810
Change in net assets	143,599	(298,104)	(154,505)
Net assets, beginning of year	4,430,217	3,056,894	7,487,111
Net assets, end of year	**$ 4,573,816**	**$ 2,758,790**	**$ 7,332,606**

Special Kids, Inc.
Consolidated Statement of Activities
For the Year Ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Revenue and Support			
Patient fees			
Bureau of TennCare	$ 488,330	$ -	$ 488,330
Private insurance	1,098,583	-	1,098,583
Private pay	154,118	-	154,118
Total patient fees	1,741,031	-	1,741,031
Other revenue and support			
Contributions of cash and other financial assets	1,345,994	389,226	1,735,220
Contributions of nonfinancial assets	41,397	-	41,397
Special events and activities, net	190,880	-	190,880
Fundraising events ticket sales, net amounts of direct benefit to donor totaling $65,319	99,970	-	99,970
Investment income (loss), net	32,621	(379,392)	(346,771)
Net assets released from restrictions	15,794	(15,794)	-
Total other revenue and support	1,726,656	(5,960)	1,720,696
Total revenue and support	3,467,687	(5,960)	3,461,727
Expenses			
Program services	2,776,927	-	2,776,927
Management and general	430,475	-	430,475
Fundraising	429,837	-	429,837
Total expenses	3,637,239	-	3,637,239
Other income (expenses)			
Miscellaneous income	480	-	480
Interest expenses	(28)	-	(28)
Gain (loss) on disposal of equipment	(175)	-	(175)
Total other income (expenses)	277	-	277
Change in net assets	(169,275)	(5,960)	(175,235)
Net assets, beginning of year	4,599,492	3,062,854	7,662,346
Net assets, end of year	**$ 4,430,217**	**$ 3,056,894**	**$ 7,487,111**

Special Kids, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program services	Management and general	Fundraising	Total
Compensation and related expenses				
Wages	$ 1,822,367	$ 440,823	$ 189,854	$ 2,453,044
Payroll taxes	136,383	31,162	15,244	182,789
Employee benefits	113,807	26,521	11,716	152,044
Total compensation and related expenses	2,072,557	498,506	216,814	2,787,877
Bank charges	6,395	988	2,760	10,143
Conference and events	25	252	87	364
Consulting	-	8,100	100	8,200
Depreciation and amortization	101,788	4,451	13,497	119,736
Development expenses	-	-	16,708	16,708
Insurance	52,141	10,528	5,303	67,972
Lease expense	9,192	1,932	1,920	13,044
Licenses, registrations, and taxes	432	-	-	432
Loss (recovery) on bad debts	960	-	-	960
Marketing	1,224	129	4,062	5,415
Other expense	4,969	151	10	5,130
Postage	255	190	1,441	1,886
Professional fees	113,366	30,983	19,288	163,637
Repairs and maintenance	43,467	6,270	11,194	60,931
Small equipment	12,579	-	545	13,124
Subscriptions	42,369	188	439	42,996
Supplies	82,233	1,676	35,462	119,371
Telephone and internet	19,991	6,392	8,770	35,153
Travel, meals, and entertainment	263	846	782	1,891
Uniforms	2,259	-	-	2,259
Utilities	21,920	2,951	1,787	26,658
	$ 2,588,385	**$ 574,533**	**$ 340,969**	**$ 3,503,887**

Special Kids, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program services	Management and general	Fundraising	Total
Compensation and related expenses				
Wages	$ 1,998,200	$ 325,843	$ 257,178	$ 2,581,221
Payroll taxes	149,362	25,723	17,767	192,852
Employee benefits	122,925	6,604	21,996	151,525
Total compensation and related expenses	2,270,487	358,170	296,941	2,925,598
Bank charges	5,673	973	5,297	11,943
Conference and events	228	92	24	344
Consulting	-	7,800	-	7,800
Depreciation and amortization	122,336	4,453	13,210	139,999
Development expenses	-	-	15,453	15,453
Insurance	42,769	9,052	4,597	56,418
Lease expense	10,228	1,932	1,920	14,080
Licenses, registrations, and taxes	341	21	10	372
Loss (recovery) on bad debts	(3,884)	-	-	(3,884)
Marketing	4,300	-	13,029	17,329
Other expense	62	150	40	252
Postage	292	265	1,840	2,397
Professional fees	105,424	28,034	17,513	150,971
Repairs and maintenance	58,435	6,738	9,617	74,790
Small equipment	2,725	285	1,351	4,361
Subscriptions	46,589	645	1,635	48,869
Supplies	63,722	2,417	38,195	104,334
Telephone and internet	21,551	5,512	6,201	33,264
Travel, meals, and entertainment	805	55	994	1,854
Uniforms	3,204	-	-	3,204
Utilities	21,640	3,881	1,970	27,491
	$ 2,776,927	**$ 430,475**	**$ 429,837**	**$ 3,637,239**

Special Kids, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash and cash equivalents, beginning of year	$ 2,787,695	$ 3,058,491
Cash flows from operating activities		
Change in net assets	(154,505)	(175,235)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Contributions restricted for long-term purposes	(229,132)	(389,226)
Depreciation and amortization	119,736	139,999
Unrealized loss (gain) on investments	(254,323)	402,455
(Gain) loss on disposal of equipment	(331)	175
Change in:		
Accounts receivable, net	39,512	(22,580)
Promises to give, net	(26,350)	(12,715)
Employee retention credits receivable	600	(97,001)
Prepaid expenses and other	9,619	(17,172)
Accounts payable	12,523	(22,093)
Accrued expenses	1,578	13,904
Deferred revenue	42,058	31,716
Net cash provided (used) by operating activities	(439,015)	(147,773)
Cash flows from investing activities		
Purchase of investments	(278,121)	(500,147)
Purchase of property and equipment	(29,372)	(12,102)
Net cash provided (used) by investing activities	(307,493)	(512,249)
Cash flows from financing activities		
Contributions restricted for long-term purposes	229,132	389,226
Net change in cash and cash equivalents	(517,376)	(270,796)
Cash and cash equivalents, end of year	**$ 2,270,319**	**$ 2,787,695**
Reconciliation to the consolidated statements of financial position		
Cash	$ 2,166,203	$ 2,679,540
Cash restricted for donor endowment	104,116	108,155
Cash and cash equivalents, end of year	**$ 2,270,319**	**$ 2,787,695**

Note 1. **Nature of Activities, Principles of Consolidation, and Significant Accounting Principles**

Nature of Activities

Special Kids, Inc. (the Organization) is a tax-exempt organization under Section 50l(c)(3) of the Internal Revenue Code (IRC) and is located in Murfreesboro, Tennessee. The Organization is dedicated to providing quality and affordable rehabilitation and nursing services in a Christian environment. The goal is that no family would be denied service due to lack of funding, or access to services. The Organization believes the family unit is important and by offering quality-coordinated services, the Organization strives to minimize the pressures of parenting a child with special needs.

Principles of Consolidation

The accompanying financial statements include the accounts of Special Kids, Inc., Special Kids Real Estate, LLC., and SK Therapy Associates, Inc. (the consolidated group referred to as the Organization or Special Kids, Inc.). Special Kids Real Estate, LLC is a single member, limited liability company (LLC). Special Kids, Inc. is the sole member of Special Kids Real Estate, LLC. SK Therapy Associates, Inc. is a public benefit corporation. It is currently managed by three board members and the Executive Director of Special Kids, Inc. All material inter-company balances and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), as prescribed for not-for-profit organizations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Undesignated – Net assets that are not subject to donor-imposed stipulations or designated by the Organization's Board of Directors (Board).

Designated – Net assets designated by the Organization's Board for particular purposes, presently designated by the Board for endowment.

Net Assets With Donor Restrictions

Net assets that are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met, either by actions of the Organization and/or the passage of time. 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. If a restriction is fulfilled in the same time period in which the contribution is received, the support is reported as increases to net assets without donor restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Generally, donors of these assets permit the Organization to use all or part of the income earned for general or specific purposes.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 1. **Nature of Activities, Principles of Consolidation, and Significant Accounting Principles**

Cash and Cash Equivalents
Cash and equivalents include cash and short-term investments with an initial maturity date of three months or less. Cash and equivalents as of December 31, 2023 and 2022 that were permanently restricted by donors for endowment purposes was $104,116 and $108,155, respectively. Since these funds are not available for current operations, they are presented as a long-term asset.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Investment income and realized and unrealized gains and losses are reported as changes in net assets without donor restrictions unless the use of income has been restricted by the donor.

Accounts Receivable
Accounts receivable consist of services provided to be paid by either the patient or insurance companies. The accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Accounts with balances greater than 30 days old are considered past due receivable accounts. The Organization does not charge interest or a finance charge on past due receivable accounts. The amounts expected to be collected from the insurance companies is reduced due to contractual obligations with the insurance companies.

Allowance for Credit Losses
The Organization has recorded a contractual allowance for credit losses to net against the accounts receivable balances for the estimated contractual reduction of insurance claims. The estimated allowance for credit losses is based on management's judgment of such factors as prior collection history and nature of activity.

Estimating credit losses based on risk characteristics requires significant judgment by the Organization. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the Organization’s financial assets, the estimated life of financial assets, and the level of reliance on historical experience in light of economic conditions. The Organization reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

As of December 31, 2023 and 2022, management has estimated the allowance for credit losses to be $3,367 and $2,407, respectively.

Promises to Give
Promises to give consist of contributions due in less than one year that are recorded at their realizable value upon receipt and contributions due in more than one year that are recorded at their discounted value. An allowance for doubtful collectability is provided based upon management's judgment, including such factors as prior collection history, type of contribution and nature of the fund-raising activity. Management has reviewed promises to give as of December 31, 2023 and 2022, and determined that no allowance is needed.

Note 1. **Nature of Activities, Principles of Consolidation, and Significant Accounting Principles**

Property and Equipment
The Organization capitalizes all property and equipment expenditures with a cost of $2,500 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or, for donated items, at fair value as of the date received. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred.

Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increases in net assets with donor restrictions. When restrictions are considered met, an appropriate amount is reclassified to net assets without donor restrictions. The useful lives of the long-lived assets are calculated based on the Organization's depreciation policy.

When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities for the respective period. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets as follows:

	Useful lives
Building and improvements	15 – 40 years
Furniture and equipment	5 – 7 years
Software	5 years

Revenue Recognition
Contributions of Cash and Other Financial Assets
Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Contributions of Nonfinancial Assets
Contributed services are reflected in the financial statements at the estimated fair value of the services received only when those services either (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Note 1. **Nature of Activities**, **Principles of Consolidation, and Significant Accounting Principles**

Revenue Recognition

Patient Fees

The Organization's program revenue is derived from providing outpatient rehabilitation service and professional nursing services for children with special needs. Revenue is recognized when persuasive evidence of an arrangement existed, delivery of products or services had occurred, the sales price was fixed or determinable and collectability was reasonably assured in accordance with Financial Accounting Standards Board Accounting Standards Codification 606, *Revenue from Contracts with Customers.*

Special Events

The Organization has special events each year where admission is charged. A portion of the admission generally will be considered a contribution while the portion that is considered payment for a tangible benefit received by the attendee, such as a meal or a round of golf, is considered an exchange transaction under Accounting Standards Update 2014-09. Any admission tickets sold in advance of the event would be considered a contract liability until the date of the event, which is the point in time that the Organization meets their performance obligation in relation to the exchange transaction and recognizes the revenue.

Functional Expenses

The cost of providing program and other activities has been summarized on a functional basis in the consolidated statement of activities. Certain expenses are specifically allocated to the functional category benefited. Other costs have been allocated among the program services, management and general, and fundraising functions based on the employees' estimate of time and effort in the various functional categories or estimates of usage of building space.

Income Taxes

The Organization is a not-for-profit organization that is exempt from federal income tax under IRC Section 501(c)(3) whereby only unrelated business income, as defined in Section 512(a)(1) of the IRC is subject to federal income tax. The Organization has evaluated its tax positions for all open tax years. Based on the evaluation of the Organization's tax positions, management believes all tax positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain positions has been recorded for the years ended December 31, 2023 and 2022.

Marketing Expense

The Organization expenses the cost of non-direct responsive advertising as incurred.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 presentation.

Note 2. **Liquidity and Availability**

The Organization is supported in part by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors, thus some financial assets may not be available for general expenditure within one year.

The following reflects the Organization's financial assets as of December 31, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the date of the statement of financial position:

	2023	2022
Financial assets		
Cash and cash equivalents	$ 2,270,319	$ 2,787,695
Certificates of deposit	102,990	-
Investments	75,068	47,212
Accounts receivable, net	38,975	78,487
Promises to give, net	51,850	25,500
Endowment held by the Community Foundation of Middle Tennessee	2,383,110	2,281,512
Employee retention credits receivable	96,401	97,001
Total financial assets at year-end	5,018,713	5,317,407
Less amounts not available to be used within one year		
Contractual or donor-imposed restrictions		
Subject to appropriation and satisfaction of donor restrictions	76,416	772,079
Endowment	104,166	108,155
Endowment held by the Community Foundation of Middle Tennessee	2,383,110	2,281,512
Board designations		
Endowment	104,852	104,852
HALO fund	34,217	34,217
Cash reserves	100,000	100,000
Financial assets available to meet cash needs for general expenditures within one year	**$ 2,215,952**	**$ 1,916,592**

Note 3. **Investments and Endowment**

Investments and beneficial interest in assets held by Community Foundation of Middle Tennessee are stated at fair value and are summarized as follows as of December 31, 2023:

	Cost	Fair Value
Cash or cash alternatives	$ 20,204	$ 20,204
Equity securities	33,586	54,864
Endowment held by Community Foundation of Middle Tennessee	2,607,546	2,683,110
Total investments	**$ 2,661,336**	**$ 2,758,178**

Investments and beneficial interest in assets held by Community Foundation of Middle Tennessee are stated at fair value and are summarized as follows as of December 31, 2022:

	Cost	Fair Value
Cash or cash alternatives	$ 18,883	$ 18,833
Equity securities	23,160	28,379
Endowment held by Community Foundation of Middle Tennessee	2,444,213	2,281,512
Total investments	**$ 2,486,256**	**$ 2,328,724**

For donated investments, cost is determined to be the fair value at the date of gift. During 2023 and 2022, the Organization did not receive donated investments.

In 2016, the Organization created and endowment fund named The Special Kids Endowment Fund (the Endowment) by entering into an agreement with, and transferring funds to, The Community Foundation of Middle Tennessee, Inc. (the Foundation), a Tennessee not-for-profit corporation, exempt under Internal Revenue Code 501(c)(3) for its charitable, educational, and public purposes. The Endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with Endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law in Relation to the Endowment

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original board designation. As a result of this interpretation, the Organization classifies as net assets with donor restrictions at (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Note 3. **Investments and Endowment**

Interpretation of Relevant Law in Relation to the Endowment

The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets without donor restrictions until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization 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 Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) The investment policies of the Organization

As of December 31, 2023 and 2022 the Endowment included net assets designated by the board for endowment and donor restricted funds received from investors for endowment. The contribution activity in the Endowment during 2023 and 2022 and the balance are as follows:

	Board designated for endowment	With donor restrictions	Total
Balance as of December 31, 2021	$ 66,849	$ 2,546,498	$ 2,613,347
Contributions for endowment	38,003	117,709	155,712
Investment return	-	(379,392)	(379,392)
Balance as of December 31, 2022	104,852	2,284,815	2,389,667
Contributions for endowment	-	117,396	117,396
Investment return	-	280,163	280,163
Balance as of December 31, 2023	**$ 104,852**	**$ 2,682,374**	**$ 2,787,226**

Return Objectives and Risk Parameters of the Endowment

The Organization operates with investment and spending policies for Endowment assets that attempt to provide a steady stream of funding to programs supported by its Endowment while maintaining its long-term value. Endowment assets include those of board-designated funds. The Foundation invests the assets in a manner that is intended to produce income while incurring a moderate level of investment risk. Each year, the Foundation sets a percentage draw from endowment funds that are intended to allow them to grow in value, while also supporting the general purposes and objectives of the Organization.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Note 3. **Investments and Endowment**

Spending Practice and How the Investment Objectives Relate to Spending Practice

The Organization's Endowment policy sets a draw from Endowment funds appropriate for distribution in subsequent fiscal years as needed by the Organization to meet its needs in order to prudently preserve capital in a difficult economic environment. The Organization may annually request a distribution from the Endowment for use in the Organization's operations in an amount up to the greater of 7% of the fund value or the amount in excess of the restricted gifts. During 2023 and 2022, the Organization did not receive any distributions from the Endowment.

In establishing this policy, the Organization considered the long-term expected return on the Endowment. Accordingly, over the long-term, the Organization expects the current spending policy to allow the Endowment to grow at an average of 1%-2% annually. This is consistent with the Organization's objective to maintain the purchasing power of Endowment assets held in perpetuity or for specified terms as well as to provide additional real growth through investment return.

Note 4. **Fair Value Measurements**

The Organization uses a framework for measuring fair value and disclosing fair values. The Organization defines fair value at the price, which would be received to sell an asset in an orderly transaction between market participants at the measurement date. This framework is used for all assets and liabilities measured and reported on a fair value basis and enable the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Each asset and liability carried at fair value is classified into one of the following categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs corroborated by market data.

Level 3 – Unobservable inputs not corroborated by market data.

Fair value measurements as of December 31, 2023 are determined as follows:

	Level 1	Level 2	Level 3	Total
Cash or cash alternatives	$ 20,204	$ -	$ -	$ 20,204
Equity securities	54,864	-	-	54,864
Endowment held by the Community Foundation of Middle Tennessee	-	-	2,683,110	2,683,110
Total	**$ 75,068**	**$ -**	**$ 2,683,110**	**$ 2,758,178**

Note 4. **Fair Value Measurements**

Fair value measurements as of December 31, 2022 are determined as follows:

	Level 1	Level 2	Level 3	Total
Cash or cash alternatives	$ 18,833	$ -	$ -	$ 18,833
Equity securities	28,379	-	-	28,379
Endowment held by the Community Foundation of Middle Tennessee	-	-	2,281,512	2,281,512
Total	**$ 47,212**	**$ -**	**$ 2,281,512**	**$ 2,328,724**

All Level 3 investments are included in the Endowment held by the Foundation. The assets transferred to the Endowment are invested by the Foundation in investments that are in line with the Organization's Endowment policy.

The Level 3 investments are reported at fair value on a recurring basis determined by reference to quoted market prices for similar assets. The purchases of the Organization's Level 3 investments for 2023 and 2022 totaled $117,396 and $155,712, respectively. There were no amounts distributed out of the Level 3 investments during 2023 and 2022. There were no other transfers in or out of Level 3 investments.

The following schedule summarizes investment income (loss) in the statements of activities:

	2023	2022
Interest and dividend income	$ 66,620	$ 33,244
Realized gain on investment	3,620	22,440
Unrealized gain (loss) on investment	254,323	(402,455)
	$ 324,563	**$ (347,771)**

Note 5. **Accounts Receivable, Net**

Accounts receivable, net is composed of the following:

	2023	2022
Account receivable	$ 42,342	$ 76,665
Allowance for credit losses	(3,367)	(2,407)
Other receivables	-	4,229
Total accounts receivable, net	**$ 38,975**	**$ 78,487**

Note 6. **Promises to Give, Net**

Unconditional promises to give, net, are due as follows:

	2023	2022
Promises to give, net	$ 51,850	$ 25,500
Current portion of promises to give, net	(51,850)	(25,500)
Promises to give, net of current portion	**$ -**	**$ -**

Note 7. **Property and Equipment, Net**

Property and equipment, net is composed of the following:

	2023	2022
Land	$ 358,340	$ 358,340
Construction in progress	24,293	-
Building and improvements	2,509,070	2,509,070
Furniture and equipment	387,857	387,307
Leasehold improvements	193,160	187,370
Software	93,819	123,825
	3,566,539	3,565,912
Less: accumulated depreciation	(1,247,781)	(1,157,121)
	$ 2,318,758	**$ 2,408,791**

Note 8. **Accrued Expenses**

Accrued expenses are composed of the following:

	2023	2022
Accrued payroll	$ 88,930	$ 92,248
Accrued paid time off	109,036	102,425
Other accruals	2,912	4,627
Total accrued expenses	**$ 200,878**	**$ 199,300**

Note 9. **Board Designated Net Assets**

The Organization's Board of Directors has designated net assets for the following purposes:

	2023	2022
Designated net assets		
Endowment	$ 104,852	$ 104,852
Halo fund	34,217	34,217
Cash reserves	100,000	100,000
Total designated net assets	**$ 239,069**	**$ 239,069**

The designations above are voluntary, board-approved segregations of net assets without donor restrictions for specific purposes and are used as an aid in planning future expenditures.

Note 10. **Net Assets With Donor Restrictions**

Net assets with temporary donor restrictions include donations for providing scholarships to clients, and operating specific programs, and construction and renovation of the facilities.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specifically made by donors. The purpose restrictions were accomplished by incurring costs for the following programs:

	2023	2022
Future expansion	$ 755,000	$ -
Tiny Diners	10,457	2,931
Equipment	32,605	4,900
Supplies	7,273	1,580
Therapy	-	5,000
Other projects	2,064	1,383
	$ 807,399	**$ 15,794**

The net assets with donor restrictions as of December 31 are subject to expenditures for the following purposes:

	2023	2022
Endowment	$ 2,682,374	$ 2,284,815
Tiny Diners	3,555	4,012
Future expansion	-	750,000
Therapy	500	-
Camp ability	-	308
Speech Supplies	-	3,273
Equipment	62,395	5,000
HALO fund	9,966	9,486
Total net assets with donor restrictions	**$ 2,758,790**	**$ 3,056,894**

Note 11. **Line of Credit**

In December 2018, the Organization entered into a line of credit for $250,000 with a bank bearing an interest rate of 5.25% per annum and maturing in December 2028. The line of credit is payable on demand. As of December 31, 2023 and 2022, there was no balance on the line of credit.

Note 12. **Contributed Nonfinancial Assets**

The following represents contributed nonfinancial assets:

	2023	2022
Organizational supplies and services	$ 10,215	$ 6,895
Event supplies and services	30,247	34,502
Total contributed nonfinancial assets	**$ 40,462**	**$ 41,397**

Contributed organizational supplies and services represent goods and services that were provided to the Organization in the furtherance of its objectives. The Organization estimated the fair value of the goods by estimating what it would cost to buy similar items through large retailers. The providers of these services provided the Organization with an estimated fair value of the services performed to be recorded as a contributed nonfinancial asset.

Contributed event supplies and services represent goods and services that were provided to the Organization to execute their fundraising events. The Organization estimated the fair value of the goods by estimating what it would cost to buy similar items through large retailers. The providers of these services provided the Organization with an estimated fair value of the services performed to be recorded as a contributed nonfinancial asset.

Note 13. **Concentrations**

The Organization is highly dependent on insurance company reimbursements of fees for rehabilitation and nursing services, and to donors for charitable contributions. If the insurance funding for rehabilitation and nursing services decreased extensively, the Organization would experience difficulty in continuing operations. If the economic conditions in the middle Tennessee area were to deteriorate there is the risk that donors would reduce their charitable giving, and the Organization could experience difficulty in continuing operations.

Also, because the Organization is a TennCare provider there is a risk related to continuance of the TennCare program. Management indicated that it is expected that if the TennCare program is discontinued, another provider arrangement would be made or the services would revert to the federal Medicaid program.

At times throughout the year, the Organization may maintain cash balances in certain accounts in excess of the Federal Deposit Insurance Corporation (FDIC) limit which is $250,000 for substantially all depository accounts. As of December 31, 2023 and 2022, the Organization had funds in excess of the FDIC limits of $1,080,097 and $1,175,454 respectively.

Note 14. **Subsequent Events**

Management has evaluated subsequent events through April 18, 2024, the date on which the financial statements were available for issuance.