Special Kids, Inc.

(A Nonprofit Corporation)

Consolidated Financial Statements

With Independent Auditors' Report Thereon

For the Years Ended December 31, 2020 and 2019

H A Beasley & Company, PLLC

Certified Public Accountants

Murfreesboro, Tennessee

H A Beasley
& Company, PLLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Special Kids, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Special Kids, Inc., which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Special Kids, Inc. as of December 31, 2020 and 2019, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B to the financial statements, in the year ended December 31, 2020, the entity adopted *FASB ASU No. 2020-03, Codification Improvements to Financial Instruments*, which provides clarity on certain accounting standards for financial instruments, *FASB ASU No. 2014-09, Revenue from Contracts with Customers*, which details the new revenue recognition standards for contracts with customers, and *FASB ASU No. 2018-13 Fair Value Measurements (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement,* which provides clarity on updates to fair value measurement disclosure requirements. Our opinion is not modified with respect to these matters.

HA Beasley & Company PLLC

H A Beasley & Company, PLLC
June 8, 2021

SPECIAL KIDS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and equivalents	$ 1,930,730	$ 765,415
Investments, net	42,428	73,901
Accounts receivable, net	37,832	112,332
Promises to give, net	40,098	127,766
Prepaid expenses and other	59,192	41,086
Total current assets	2,110,280	1,120,500
PROPERTY AND EQUIPMENT, NET	2,356,108	2,422,864
OTHER ASSETS		
Assets restricted to donor endowment	1,916,341	1,595,964
TOTAL ASSETS	$ 6,382,729	$ 5,139,328

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Accounts payable	$ 21,348	$ 28,492
Accrued expenses	238,714	148,625
Deferred revenue	153,197	38,070
Deferred special event revenue	315	22,495
Total current liabilities	413,574	237,682
NET ASSETS		
Without donor restrictions	4,273,981	3,324,129
With donor restrictions	1,695,174	1,577,517
Total net assets	5,969,155	4,901,646
TOTAL LIABILITIES AND NET ASSETS	$ 6,382,729	$ 5,139,328

SPECIAL KIDS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
Revenue and Support	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Patient fees						
Bureau of TennCare	$ 591,498	$ -	$ 591,498	$ 985,615	$ -	$ 985,615
Private insurance	509,343	-	509,343	865,313	-	865,313
Private pay	118,567	-	118,567	261,859	-	261,859
Total patient fees	1,219,408	-	1,219,408	2,112,787	-	2,112,787
Other revenue and support						
Private gifts and grants	748,439	145,070	893,509	603,261	707,265	1,310,526
In-kind donations, net of expenses	1,000	-	1,000	84,978	-	84,978
Special events and activities, net	789,004	-	789,004	448,410	-	448,410
Special events contributions	94,530	-	94,530	103,964	-	103,964
Unrealized gain on investments	69,909	-	69,909	130,509	-	130,509
Realized gain on investments	76,675	-	76,675	24,182	-	24,182
Investment income, net	40,872	-	40,872	15,431	-	15,431
Total revenue and support	3,039,837	145,070	3,184,907	3,523,522	707,265	4,230,787
Net assets released from donor restrictions:						
Satisfaction of program restrictions	27,413	(27,413)	-	55,452	(55,452)	-
Total revenue and support	3,067,250	117,657	3,184,907	3,578,974	651,813	4,230,787
Expenses						
Program services	2,239,510	-	2,239,510	2,445,374	-	2,445,374
Supporting services						
Management and general	199,226	-	199,226	220,999	-	220,999
Fundraising	458,031	-	458,031	508,906	-	508,906
Total expenses	2,896,767	-	2,896,767	3,175,279	-	3,175,279
Other income (expenses)						
Paycheck Protection Program loan forgiveness	512,733	-	512,733	-	-	-
Provider Relief Fund income	260,877	-	260,877	-	-	-
Miscellaneous income	10,629	-	10,629	1,830	-	1,830
Interest expense	(12)	-	(12)	(784)	-	(784)
Loss on disposal of equipment	(4,858)	-	(4,858)	(2,626)	-	(2,626)
Total other income (expenses)	779,369	-	779,369	(1,580)	-	(1,580)
CHANGE IN NET ASSETS	949,852	117,657	1,067,509	402,115	651,813	1,053,928
NET ASSETS AT BEGINNING OF YEAR	3,324,129	1,577,517	4,901,646	2,922,014	925,704	3,847,718
NET ASSETS AT END OF YEAR	$ 4,273,981	$ 1,695,174	$ 5,969,155	$ 3,324,129	$ 1,577,517	$ 4,901,646

See accompanying notes to consolidated financial statements and independent auditors' report.

SPECIAL KIDS, INC.
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020				2019			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fund-raising	Totals	Program Services	Management and General	Fund-raising	Totals
Compensation and related expenses:								
Wages	$ 1,663,852	$ 127,988	$ 341,303	$ 2,133,143	$ 1,820,466	$ 140,036	$ 373,429	$ 2,333,931
Payroll taxes	100,994	7,769	20,717	129,480	134,835	10,372	27,658	172,865
Employee benefits	155,401	11,954	31,877	199,232	115,671	8,898	23,727	148,296
Total	1,920,247	147,711	393,897	2,461,855	2,070,972	159,306	424,814	2,655,092
Professional fees	-	29,766	-	29,766	-	32,866	-	32,866
Depreciation and amortization	101,256	7,789	20,770	129,815	108,455	8,343	22,247	139,045
Loss (recovery) on bad debts	(2,936)	-	-	(2,936)	3,961	-	-	3,961
Bank charges	6,092	468	1,250	7,810	5,979	460	1,226	7,665
Travel, meals and entertainment	747	58	153	958	1,608	124	330	2,062
Telephone and internet	18,361	1,414	3,765	23,540	15,609	1,201	3,201	20,011
Endowment fundraising expense	-	-	104	104	-	-	786	786
Postage	1,690	130	347	2,167	2,352	181	482	3,015
Consulting	21,905	-	-	21,905	9,368	-	-	9,368
Supplies	28,334	2,180	5,811	36,325	53,116	4,086	10,895	68,097
Repairs and maintenance	25,507	1,962	5,232	32,701	52,169	4,013	10,701	66,883
Family support	8,986	-	-	8,986	9,668	-	-	9,668
Insurance	48,508	3,732	9,950	62,190	46,601	3,585	9,559	59,745
Conferences and events	-	-	799	799	-	-	3,072	3,072
Website maintenance	-	-	-	-	-	-	216	216
Subscriptions	30,996	2,384	6,358	39,738	31,548	2,427	6,471	40,446
Marketing	-	-	5,253	5,253	-	-	9,391	9,391
Real estate taxes	-	2	-	2	-	2,339	-	2,339
Lease expense	8,643	-	-	8,643	7,083	-	-	7,083
Licenses, registrations and taxes	454	35	93	582	524	40	108	672
Uniforms	2,317	178	475	2,970	2,781	214	571	3,566
Other expense	353	29	71	453	1,792	138	367	2,297
Utilities	18,050	1,388	3,703	23,141	21,788	1,676	4,469	27,933
Total functional expenses	$ 2,239,510	$ 199,226	$ 458,031	$ 2,896,767	$ 2,445,374	$ 220,999	$ 508,906	$ 3,175,279

See accompanying notes to consolidated financial statements and independent auditors' report.

SPECIAL KIDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,067,509	$ 1,053,928
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	129,815	139,045
Unrealized gain on investments	(69,909)	(130,509)
Realized gain on investments	(76,675)	(24,182)
Non-cash donation of investments	-	(80,800)
Non-cash donation of furniture and equipment	-	(4,178)
Loss on disposal of equipment	4,858	2,626
(Increase) decrease in operating assets:		
Accounts receivable, net	74,500	47,293
Promises to give, net	87,668	(101,564)
Prepaid expenses and other	(18,106)	7,880
Increase (decrease) in operating liabilities:		
Accounts payable	(7,144)	14,200
Accrued expenses	90,089	(7,082)
Deferred revenue	115,127	(97,900)
Deferred special event revenue	(22,180)	-
Net cash provided by operating activities	1,375,552	818,757
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(302,946)	(425,353)
Proceeds from sale of equipment	1,000	2,500
Purchase of property and equipment	(68,917)	(34,073)
Net cash used for investing activities	(370,863)	(456,926)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on note payable	-	(75,391)
Net cash used for financing activities	-	(75,391)
Net increase in cash, cash equivalents, and restricted cash and equivalents	1,004,689	286,440
Beginning cash and equivalents and restricted cash and equivalents	1,043,632	757,192
Ending cash and equivalents and restricted cash and equivalents	$ 2,048,321	$ 1,043,632

See accompanying notes to consolidated financial statements and independent auditors' report.

NOTE A – 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 501(c)(3) of the Internal Revenue Code 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 consolidated financial statements include the accounts of Special Kids, Inc. and Special Kids Real Estate, LLC (the consolidated group referred to as the "Organization" or "Special Kids, Inc."). Special Kids Real Estate, LLC is a single member limited liability Organization (L.L.C.). Special Kids, Inc. is the sole member of Special Kids Real Estate, LLC. All material inter-company balances and transactions have been eliminated in consolidation.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation

The Organization presents its consolidated financial statements in accordance with Financial Accounting Standards Board ("FASB") *Accounting Standards Codification ("ASC") 958, Financial Statements for Not-for-Profit Entities.* Accordingly, the Organization reports information regarding its consolidated financial position and activities according to the two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Organization.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as revenue with restrictions, when received, and such unexpended amounts are reported as net assets with restrictions at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as "net assets released from donor restrictions". Net assets with donor restrictions whose restrictions are met in the period the contributions are received are reported as net assets without donor restrictions.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and the reported amount of revenue and other support and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

NOTE A – NATURE OF ACTIVITIES, PRINCIPLES OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Cash and Equivalents and Restricted Cash and 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, 2020 and 2019 that were permanently restricted by donors for endowment purposes was $117,591 and $278,217, respectively. Since these funds are not available for current operations, they are presented as a long-term asset.

Investments, Net

The Organization follows the Not-For-Profit Entities subtopic and Revenue Recognition subtopic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) with respect to investments. Under this subtopic, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the consolidated statements of financial position. All investments are considered to be available for sales securities.

The Fair Value Measurements and Disclosures topic of FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority.

The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs would be used only when Level 1 or Level 2 inputs were not available.

Unrealized gains and losses are included in the change in net assets without donor restrictions. Interest and dividend income are reported as income when received and are included in investment income, net on the statements of activities.

Accounts Receivable, Net

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. The Organization has recorded a contractual allowance to net against the accounts receivable balances for the estimated contractual reduction of insurance claims. The estimated allowance for uncollectible accounts receivable is based on management's judgment of such factors as prior collection history and nature of activity. As of December 31, 2020 and 2019, management has estimated the allowance for uncollectible accounts receivable to be $5,910 and $8,846, respectively.

Promises to Give, Net

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. As of December 31, 2020 and 2019, management has estimated the allowance for doubtful collectability to be $-0- and $360, respectively.

NOTE A – NATURE OF ACTIVITIES, PRINCIPLES OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Property and Equipment, Net
The Organization capitalizes all property and equipment expenditures with a cost of $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.

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 consolidated 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:

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

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.

Contributions
ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made requires three classifications of contributions received in the current year: conditional, unconditional with donor restrictions, or unconditional without donor restrictions. Conditional contributions, including conditional promises to give, are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional contributions, including unconditional promises to give, are recognized as revenue in the period received.

A summary of these classifications as they relate to grants received as of December 31, 2020 and 2019 are as follows:

	2020	2019
Conditional	$ 342,665	$ 38,070
Unconditional with donor restrictions	$ 32,980	$ 126,015
Unconditional without donor restrictions	$ 183,000	$ 80,036

The conditional contributions remaining as of December 31, 2020 and 2019 are reflected in the deferred revenue on the consolidated statement of financial position at $153,197 and $38,070, respectively.

Contributions of assets and specialized services are recorded at their estimated fair value. Contributions of professional services used in conjunction with general operations and certain fundraising events and recognized as income for the years ended December 31, 2020 and 2019 totaled $12,439 and $19,025, respectively.

Restricted contributions whose restrictions are met or accrued in the period the contributions are received are reported as contributions without donor restrictions.

NOTE A – NATURE OF ACTIVITIES, PRINCIPLES OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Contributions (continued)
Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Revenue Recognition of Patient Fees
The Organization's program revenue is derived from providing family resources, outpatient rehabilitation services and professional nursing services for children with special needs. This revenue stream is considered an exchange transaction under *Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers ("ASU 2014-09")* as the patients are receiving services with commensurate value to the payment they, or their insurance company, are making. The Organization recognizes revenue from patient fees when the services are provided (date of service) which is the time that the Organization is considered to meet its performance obligations under the contracts with its patients. The payment from the customer is generally simultaneous with the transfer of the services, thus the provision of these services is not creating a contract asset or liability. The contracts with their patients do not have a significant financing component. The payments are received from the patient's insurance company, if applicable, after the claim has been filed by the Organization on behalf of the patient. Any remaining payment due for the services are then the responsibility of the patient. However, if the patient is unable to pay the remaining balance, it is written off as the Organization's mission is to provide care to their patients regardless of their ability to pay.

There were no contract assets or liabilities related to the Company's contracts with its patients as of December 31, 2020 or 2019 as there were no uncompleted contracts with patients at those dates. Patient fee revenue totaled $1,219,408 and $2,112,787 for the years ended December 31, 2020 and 2019, respectively. The receivables from contracts with patients as of December 31, 2020 and 2019 were $37,832 and $112,332, respectively.

Revenue Recognition of 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 *ASU 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. The portion of the admission charge that is considered an exchange transaction, which totaled $789,004 and $448,410 for the years ended December 31, 2020 and 2019, respectively, is netted with the expenses from the event and is shown as special events and activities, net on the statements of activities. Included in these amounts are sales of branded items totaling $5,608 and $5,604 for the years ended December 31, 2020 and 2019, respectively. The Organization recognizes revenue for the sale of branded items when the buyer takes possession and makes payment to the Organization. The portion of the admission that is considered a contribution totaled $94,530 and $103,964 for the years ended December 31, 2020 and 2019, respectively, and is reflected on the statements of activities as special events contributions.

The Organization organizes an annual Special Kids Race as a fundraiser. Runners in the race will submit their registration fee for the Special Kids Race before the day of the race. The amounts that are received in the year preceding the race are considered a contract liability and are included in deferred event revenue on the statements of financial position. As of December 31, 2020 and 2019, the Organization had received $315 and $12,495, respectively, for the race in the subsequent year. As of December 31, 2020 and 2019, the Organization had also received sponsorships for the annual golf event to be held in the following year totaling $-0- and $10,000, respectively. This is also included in deferred event revenue on the statements of financial position.

NOTE A – NATURE OF ACTIVITIES, PRINCIPLES OF CONSOLIDATION AND SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Functional Expenses
The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the program services, management and general and fundraising functions at 78%, 6%, and 16%, respectively.

Income Taxes
The Organization is a not-for-profit organization that is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) whereby only unrelated business income, as defined in Section 512(a)(1) of the Code, is subject to federal income tax. With few exceptions, the Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2017, and to state tax authorities for years before 2015.

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, 2020 and 2019.

Marketing Expense
The Organization expenses the cost of non-direct responsive advertising as incurred. For the years ended December 31, 2020 and 2019, marketing expenses totaled $5,253 and $9,291, respectively.

Reclassification
Certain reclassifications have been made to the 2019 financial statements to conform to the presentation for 2020.

NOTE B –IMPLEMENTATION OF NEW AUTHORITATIVE ACCOUNTING GUIDANCE

ASU 2020-03
As a result of updates to the Accounting Standards Codification, during the year ended December 31, 2020 the Organization adopted *FASB ASU No. 2020-03, Codification Improvements to Financial Instruments*, which relates to the accounting disclosure requirements for financial instruments. *ASU 2020-03: Issue One* clarifies guidance in *ASC Subtopic 825-10, Financial Instruments – Disclosure– Fair Value Option* related to the disclosure requirements for financial instruments valued using the fair value option. This update clarifies guidance that was previously adopted by the Organization. The Organization did apply this new standard prospectively. There was no material impact on the Organization's changes in net assets, financial condition, or cash flows upon adoption of the new standard.

ASU 2020-03: Issue Four clarifies the guidance provided in *ASC Subtopic 470-50, Debt – Derecognition – General* related to the accounting for lender fees and third-party costs directly related to exchanges or modifications of debt instruments, line-of-credit and revolving-debt arrangements. The Organization applied this new standard retrospectively. There was no cumulative effect of applying this change to all prior periods presented, thus there was no material impact on the Organization's results of operations, financial condition, or cash flows upon adoption of the new standard.

NOTE B –IMPLEMENTATION OF NEW AUTHORITATIVE ACCOUNTING GUIDANCE (CONTINUED)

ASU 2014-09
As a result of updates to the Accounting Standards Codification, as of January 1, 2020, the Organization implemented *FASB ASU No. 2014-09, Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, "*ASC 606*"), which creates a single framework for recognizing revenue from contracts with customers that fall within its scope and revises when it is appropriate to recognize a gain or loss from the transfer of nonfinancial assets. The nursing and rehabilitative services provided to the Organization's patients are considered contracts with customers. The portion of special event revenue that is considered an exchange transaction (the cost of the benefit received at the event) is also considered a contract with a customer under *ASC 606*.

The Organization adopted *ASC 606* using the modified retrospective method that applies to all contracts not completed as of January 1, 2020. There was no cumulative effect on the financial statements due to the application of *ASC 606* in relation to patient revenues, as the Organization did not have any uncompleted contracts with its patients as of January 1, 2020. There was no cumulative effect on the financial statements due to the application of *ASC 606* in relation to special events as the only uncompleted contracts as of December 31, 2020 and 2019 as the Organization had previously recorded these amounts as deferred event revenue on the statements of financial position.

ASU 2018-13
Due to updates to the Accounting Standards Codification *ASU 2018-13 Fair Value Measurements (Topic 820), Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement* was adopted by the Organization. This ASU makes amendments to the disclosures related to fair value measurements to facilitate clear communication of information that is important to the users of the financial statements. The Organization adopted *ASU 2018-13* retrospectively. There was no material impact on the Organization's changes in net assets, financial position or cash flows upon adoption of this new standard.

NOTE C – INVESTMENTS, NET

Investments are stated at fair value and are summarized as follows as of December 31, 2020 and 2019:

	2020		2019	
	Cost	Value	Cost	Value
Equity securities	$ 40,410	$ 42,428	$ 66,979	$ 73,901
Endowment	1,646,378	1,798,750	1,240,007	1,317,747
Total investments	$ 1,686,788	$ 1,841,178	$ 1,306,986	$ 1,391,648

For donated investments, cost is determined to be the fair value at the date of gift. During the years ended December 31, 2020 and 2019, the Organization received $-0- and $80,800, respectively, in donated investments. As of December 31, 2020 and 2019, the unrealized gain on investments totaled $154,390 and $84,662, respectively. During the years ended December 31, 2020 and 2019, the change in the unrealized gain on investments totaled $69,909 and $130,509, respectively. Investment income net of expenses for the years ended December 31, 2020 and 2019 totaled $33,630 and $14,405, respectively.

The equity securities are shown in the consolidated statements of financial position as current assets and the endowment is shown as a long-term asset.

NOTE C – INVESTMENTS, NET (CONTINUED)

In 2016, the Organization created an agency endowment 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 Foundation has the ultimate authority and control over all property of the endowment, and the income derived therefrom, for use in furthering the charitable purposes of the Foundation.

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 agency 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.

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

NOTE C – INVESTMENTS, NET (CONTINUED)

As of December 31, 2020 and 2019 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 the years ended December 31, 2020 and 2019 and the balance as of December 31, 2020 and 2019 are as follows:

	Board Designated for Endowment	Permanently Restricted	Total Endowment
Balance as of December 31, 2018	$ 19,451	$ 818,992	$ 838,443
Contributions	16,579	596,440	613,019
Balance as of December 31, 2019	36,030	1,415,432	1,451,462
Contributions	6,410	134,633	141,043
Balance as of December 31, 2020	$ 42,440	$ 1,550,065	$ 1,592,505

Return objectives and risk parameters of the agency endowment
The Organization operates with investment and spending polices 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).

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 7.0% of the agency fund value or the amount in excess of the permanently restricted gifts. During the years ended December 31, 2020 and 2019, the Organization did not receive any distributions from the endowment.

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

NOTE C – INVESTMENTS, NET (CONTINUED)

Fair value measurements as of December 31, 2020 and 2019 are determined as follows:

	Fair Value Measurements at December 31, 2020			
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Totals
Equity securities	$ 42,428	$ -	$ -	$ 42,428
Endowment	-	-	1,798,750	1,798,750
Totals	$ 42,428	$ -	$ 1,798,750	$ 1,841,178

	Fair Value Measurements at December 31, 2019			
	Quoted prices in active markets for identical assets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)	Totals
Equity securities	$ 73,901	$ -	$ -	$ 73,901
Endowment	-	-	1,317,747	1,317,747
Totals	$ 73,901	$ -	$ 1,317,747	$ 1,391,648

All Level 3 investments are included in the agency endowment held by The Community Foundation. The assets transferred to the endowment are invested by The Community 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 the years ended December 31, 2020 and 2019 totaled $296,869 and $474,498, respectively. There were no amounts issued out of the Level 3 investments during the years ended December 31, 2020 and 2019. There were no other transfers in or out of Level 3 investments.

NOTE D – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net is composed of the following as of December 31, 2020 and 2019:

	2020	2019
Accounts receivable	$ 50,293	$ 125,509
Allowance for contractual adjustments	(6,551)	(7,331)
Allowance for uncollectible accounts receivable	(5,910)	(8,846)
Other receivables	-	3,000
Total accounts receivable, net	$ 37,832	$ 112,332

Special Kids, Inc.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019

NOTE E – PROMISES TO GIVE, NET

As of December 31, 2020 and 2019, unconditional promises to give, net, are due as follows:

	2020	2019
Due within 1 year	$ 40,098	$ 128,776
Due within 1 to 5 years	-	-
Total	40,098	128,776
Present value discount	-	(29)
Allowance for doubtful pledges	-	(621)
Allowance for uncollectible promises to give	-	(360)
Promises to give, net	40,098	127,766
Current portion of promises to give, net	40,098	127,766
Promises to give, net of current portion	$ -	$ -

NOTE F – ASSETS RESTRICTED FOR DONOR ENDOWMENT

The assets restricted for donor endowment as of December 31, 2020 and 2019 consist of the following:

	2020	2019
Restricted cash and equivalents	$ 117,591	$ 278,217
Investments	1,798,750	1,317,747
Total assets restricted for donor endowment	$ 1,916,341	$ 1,595,964

NOTE G – PROPERTY AND EQUIPMENT, NET

Property and equipment, net is composed of the following as of December 31, 2020 and 2019:

	2020	2019
Land	$ 358,340	$ 358,340
Building and improvements	2,220,437	2,220,437
Construction in progress	7,899	797
Furniture and equipment	394,839	407,531
Leasehold improvements	183,091	178,252
Software	184,377	135,558
Totals	3,348,983	3,300,915
Less: Accumulated depreciation and amortization	(992,875)	(878,051)
Total property and equipment, net	$ 2,356,108	$ 2,422,864

For the years ended December 31, 2020 and 2019, depreciation and amortization totaled $129,815 and $139,045, respectively.

NOTE H – ACCRUED EXPENSES

Accrued expenses are composed of the following as of December 31, 2020 and 2019:

	2020	2019
Accrued payroll	$ 71,344	$ 48,726
Payroll related liabilities	4,140	3,528
Accrued paid time off	107,586	69,952
Accrued employee bonuses	25,755	11,509
Sales tax payable	14	15
Patient insurance overpayment	29,875	14,895
Total accrued expenses	$ 238,714	$ 148,625

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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, 2020, 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.

Financial assets as of year-end:	
Cash and equivalents	$ 1,930,730
Cash restricted for donor endowment	117,591
Investments	42,428
Accounts receivable, net	37,832
Promises to give, net	40,098
Total financial assets as of year-end	2,168,679
Less those unavailable for general expenditures within one year due to:	
Contractual or donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	145,109
Donor endowment	117,591
Board designations:	
Endowment	42,440
HALO fund	34,216
Buildings	29,813
Total unavailable for general expenditures within one year	369,169
Total financial assets available for general expenditures within one year	$ 1,799,510

NOTE J – BOARD DESIGNATIONS OF NET ASSETS WITHOUT RESTRICTIONS

The Organization's Board of Directors has designated, from net assets without donor restrictions of $4,273,981 and $3,324,129, net assets for the following purposes as of December 31, 2020 and 2019:

	2020	2019
Designated net assets:		
Building fund	$ 29,813	$ 29,813
Macedonia Fund	-	77,711
HALO Fund	34,217	31,012
Endowment fund	42,440	36,030
Cash reserves	100,000	-
Total designated net assets	206,470	174,566
Undesignated net assets	4,067,511	3,149,563
Total net assets without donor restrictions	$ 4,273,981	$ 3,324,129

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 K – 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. As of December 31, 2020 and 2019 support received with temporary donor restrictions totaled $10,437 and $110,825, respectively.

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:

	2020	2019
Facilities construction and renovation	$ 2,893	$ 9,931
Equipment and software	73	-
Rehabilitation program scholarships	-	5,009
Camp Ability	-	9,645
Nursing	-	7,914
Director development	3,050	-
Tiny Diners	2,151	2,612
Technology	-	15,000
Other projects	300	-
HALO Fund	160	161
Macedonia Fund	18,786	5,010
Servants Heart	-	170
Total net assets released from restrictions	$ 27,413	$ 55,452

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

The net assets with temporary donor restrictions as of December 31, 2020 and 2019 are subject to expenditures for the following purposes:

	2020	2019
Facilities construction and renovation	$ 31,048	$ 33,941
Parking lot	101,000	95,898
Nursing	978	-
Tiny Diners	1,277	2,151
Director Development	2,400	3,050
Mindray Monitor	-	73
Software for Development team	-	300
HALO Fund	8,406	7,886
Macedonia Fund	-	18,786
Total net assets with temporary donor restrictions	$ 145,109	$ 162,085

Net assets that are permanently restricted by the donors for endowment purposes totaled $1,550,065 and $1,415,432 as of December 31, 2020 and 2019, respectively. Income permanently restricted by donors for endowment purposes totaled $134,633 and $596,440 for the years ended December 31, 2020 and 2019, respectively.

NOTE L – 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. The line of credit is payable on demand. As of both December 31, 2020 and 2019, the balance on the line of credit totaled $-0-.

NOTE M – PAYCHECK PROTECTION PROGRAM

On April 13, 2020, the Organization was granted a loan from a bank through the Small Business Administration ("SBA") in the amount of $512,733, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which was enacted March 27, 2020. The PPP provides loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll expenses of the qualifying business.

On December 14, 2020, the SBA issued a full forgiveness of the loan granted through the CARES Act in the amount of $512,733, which was then recognized as other income in the financial statements. This forgiveness was based on the Organization's use of the funds for qualifying expenses as described in the CARES Act, which include payroll costs, interest on mortgages, rent, and utilities.

NOTE N – PROVIDER RELIEF FUND

The Organization was the recipient of funds from the Health Resources and Services Administration (HRSA) that were appropriated under the CARES Act, the Paycheck Protection Program (PPP) and Health Care Enhancement Act, and the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act as part of the Provider Relief Fund (PRF). These funds were appropriated under these acts to reimburse eligible healthcare providers for healthcare related expenses or lost revenues attributable to coronavirus. The Organization received $260,877 from the PRF which is included in other income in the consolidated statements of activities.

NOTE O – OPERATING LEASE

The Organization leases certain office equipment for their facility in Murfreesboro, Tennessee under operating lease agreements with terms ranging from 36 to 60 months, requiring monthly payments ranging from $160 to $518 and with maturities through January 2025.

The future minimum obligations under operating leases are as follows as of:

December 31,		
2021	$	14,076
2022		14,076
2023		13,040
2024		4,164
2025		173
Total	$	45,529

Lease expense for the year ended December 31, 2020 and 2019 totaled $8,643 and $7,083, respectively.

NOTE P - CONCENTRATION OF RISK

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, 2020 and 2019, the Organization had funds in excess of the FDIC limits of $1,086,369 and $-0-, respectively.

NOTE Q - RELATED PARTY TRANSACTIONS

The Organization provided various patient services for the children of directors and employees throughout the years ended December 31, 2020 and 2019. Services provided for the children of directors and employees during the years ended December 31, 2020 and 2019 totaled $1,786 and $8,173, respectively. Accounts receivable, net at December 31, 2020 and 2019 includes $-0- and $36 due from directors' and employees or their insurance companies, respectively, and is expected to be paid by insurance reimbursement.

Services provided to the Organization by board members and the family of an employee for the years ended December 31, 2020 and 2019 totaled $4,513 and $15,060, respectively.

NOTE R – CASH FLOW INFORMATION

During the years ended December 31, 2020 and 2019, net cash provided by operating activities included cash payments of interest totaling $12 and $784, respectively. There were no cash payments for income taxes during both years ended December 31, 2020 and 2019.

During the years ended December 31, 2020 and 2019, non-cash investing activities excluded from the statements of cash flows include in-kind donations of property and equipment totaling $-0- and $4,178 respectively, and investments of $-0- and $80,800, respectively. In-kind contributions received during the years ended December 31, 2020 and 2019 totaled $40,083 and $229,904. Of those contributions, $39,083 and $144,926 were expensed as they were used in the various programs and events of the Organization.

Reconciliations of cash and equivalents and restricted cash reported within the consolidated statements of financial position to the total of the same amounts shown in the consolidated statements of cash flows are as follows as of December 31, 2020 and 2019:

	2020	2019
Cash and equivalents	$ 1,930,730	$ 765,415
Cash restricted for donor endowment	117,591	278,217
Total cash and equivalents and cash restricted for donor endowment	$ 2,048,321	$ 1,043,632

Amounts included in restricted cash represent amounts restricted by donors for endowment purposes.

NOTE S - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 8, 2021 which is the date the consolidated financial statements were available to be issued.

Management is currently evaluating the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position, and results of its operations and cash flows, the specific impact is not readily determinable as of the date of these financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

There have been no other adjustments to the consolidated financial statements to include any subsequent transactions or events.