

**CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR
PEDIATRIC THERAPIES**

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

JUNE 30, 2023 AND 2022

CPAs / ADVISORS



CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES
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JUNE 30, 2023 AND 2022

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Blue & Co., LLC / 2650 Eastpoint Parkway, Suite 300 / Louisville, KY 40223
main 502.992.3500 fax 502.992.3509 email blue@blueandco.com
blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Cerebral Palsy K.I.D.S. Center, Inc. d/b/a Kids Center for Pediatric Therapies
Louisville, Kentucky

Opinion

We have audited the accompanying financial statements of Cerebral Palsy K.I.D.S. Center, Inc. d/b/a Kids Center for Pediatric Therapies (the Center), a nonprofit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 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. 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 Center 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 Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of support are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Blue & Co., LLC

Louisville, Kentucky
November 21, 2023

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2023

	<u>Net Assets Without Donor Restrictions</u>		Net Assets With	<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>	Donor Restrictions	
ASSETS				
Cash and cash equivalents	\$ 26,133	\$ 235,521	\$ 560,245	\$ 821,899
Investments	0	5,581,721	175,362	5,757,083
Accounts receivable, net	63,759	204,013	0	267,772
Pledges receivable, net	0	0	669,453	669,453
Prepaid expenses and other assets	9,413	0	0	9,413
Property and equipment, net	592,901	0	0	592,901
Total assets	<u>\$ 692,206</u>	<u>\$ 6,021,255</u>	<u>\$ 1,405,060</u>	<u>\$ 8,118,521</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 37,625	\$ 0	\$ 0	\$ 37,625
Accrued expenses	167,046	0	0	167,046
Total liabilities	204,671	0	0	204,671
Net assets				
Net assets without donor restrictions				
Undesignated	487,535	0	0	487,535
Board designated	0	6,021,255	0	6,021,255
Total net assets without donor restrictions	487,535	6,021,255	0	6,508,790
Net assets with donor restrictions	0	0	1,405,060	1,405,060
Total net assets	487,535	6,021,255	1,405,060	7,913,850
Total liabilities and net assets	<u>\$ 692,206</u>	<u>\$ 6,021,255</u>	<u>\$ 1,405,060</u>	<u>\$ 8,118,521</u>

See accompanying notes to financial statements.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

	<u>Net Assets Without Donor Restrictions</u>		Net Assets With	<u>Total</u>
	<u>Undesignated</u>	<u>Board Designated</u>	Donor <u>Restrictions</u>	
ASSETS				
Cash and cash equivalents	\$ 250,602	\$ 233,702	\$ 417,690	\$ 901,994
Investments	162,372	5,300,587	175,362	5,638,321
Accounts receivable, net	322,704	0	0	322,704
Employee Retention Credit receivable	286,624	0	0	286,624
Pledges receivable, net	0	0	772,066	772,066
Prepaid expenses and other assets	30,040	0	0	30,040
Property and equipment, net	605,154	0	0	605,154
Total assets	<u>\$ 1,657,496</u>	<u>\$ 5,534,289</u>	<u>\$ 1,365,118</u>	<u>\$ 8,556,903</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable	\$ 24,466	\$ 0	\$ 0	\$ 24,466
Accrued expenses	105,898	0	0	105,898
Capital lease obligations	3,936	0	0	3,936
Total liabilities	<u>134,300</u>	<u>0</u>	<u>0</u>	<u>134,300</u>
Net assets				
Net assets without donor restrictions				
Undesignated	1,523,196	0	0	1,523,196
Board designated	0	5,534,289	0	5,534,289
Total net assets without donor restrictions	<u>1,523,196</u>	<u>5,534,289</u>	<u>0</u>	<u>7,057,485</u>
Net assets with donor restrictions	<u>0</u>	<u>0</u>	<u>1,365,118</u>	<u>1,365,118</u>
Total net assets	<u>1,523,196</u>	<u>5,534,289</u>	<u>1,365,118</u>	<u>8,422,603</u>
Total liabilities and net assets	<u>\$ 1,657,496</u>	<u>\$ 5,534,289</u>	<u>\$ 1,365,118</u>	<u>\$ 8,556,903</u>

See accompanying notes to financial statements.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2023

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions	Total
	Undesignated	Board Designated		
Support				
Program service fees	\$ 2,552,413	\$ 0	\$ 0	\$ 2,552,413
Contributions of cash and other financial assets	48,010	0	718,192	766,202
Contributions of nonfinancial assets	336,855	0	0	336,855
Employee Retention Credit	276,619	0	0	276,619
Fundraising	499,450	0	0	499,450
Net assets released from restrictions	730,606	0	(730,606)	0
Total support	4,443,953	0	(12,414)	4,431,539
Other revenue				
Interest income	0	47,308	5,087	52,395
Dividend income	0	84,644	9,101	93,745
Net realized loss on investments	0	(166,087)	(17,858)	(183,945)
Net unrealized gain on investments	0	521,101	56,026	577,127
Total other revenue	0	486,966	52,356	539,322
Total revenue	4,443,953	486,966	39,942	4,970,861
Expenses				
Program services	4,451,150	0	0	4,451,150
Management and general	660,686	0	0	660,686
Fundraising	367,778	0	0	367,778
Total expenses	5,479,614	0	0	5,479,614
Change in net assets	(1,035,661)	486,966	39,942	(508,753)
Net assets				
Beginning of year	1,523,196	5,534,289	1,365,118	8,422,603
End of year	\$ 487,535	\$ 6,021,255	\$ 1,405,060	\$ 7,913,850

See accompanying notes to financial statements.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2022

	Net Assets Without Donor Restrictions		Net Assets With Donor Restrictions	Total
	Undesignated	Board Designated		
Support				
Program service fees	\$ 2,507,628	\$ 0	\$ 0	\$ 2,507,628
Contributions of cash and other financial assets	214,077	0	1,178,375	1,392,452
Contributions of nonfinancial assets	336,855	0	0	336,855
Employee Retention Credit	681,252	0	0	681,252
Fundraising	470,055	0	0	470,055
Net assets released from restrictions	543,433	0	(543,433)	0
Total support	4,753,300	0	634,942	5,388,242
Other revenue				
Interest income	0	39,144	4,134	43,278
Dividend income	0	132,419	13,986	146,405
Loss on disposition of assets	(111)	0	0	(111)
Net realized gain on investments	0	200,058	21,130	221,188
Net unrealized gain on investments	0	(1,111,091)	(117,353)	(1,228,444)
Total other revenue	(111)	(739,470)	(78,103)	(817,684)
Total revenue	4,753,189	(739,470)	556,839	4,570,558
Expenses				
Program services	4,128,452	0	0	4,128,452
Management and general	613,878	0	0	613,878
Fundraising	375,551	0	0	375,551
Total expenses	5,117,881	0	0	5,117,881
Change in net assets	(364,692)	(739,470)	556,839	(547,323)
Net assets				
Beginning of year	1,887,888	6,273,759	808,279	8,969,926
End of year	\$ 1,523,196	\$ 5,534,289	\$ 1,365,118	\$ 8,422,603

See accompanying notes to financial statements.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 2,954,242	\$ 463,770	\$ 149,450	\$ 3,567,462
Conferences	25,712	3,842	0	29,554
Depreciation	40,316	6,024	0	46,340
Dues and licenses	17,000	2,540	300	19,840
Employee benefits	160,487	23,981	7,125	191,593
Food and venue	0	0	103,176	103,176
Interest	204	30	0	234
Insurance	28,505	4,259	1,509	34,273
Miscellaneous	20,246	3,066	1,418	24,730
Occupancy	294,089	17,143	25,623	336,855
Payroll taxes	223,507	33,398	11,433	268,338
Postage	3,952	591	3,798	8,341
Printing	9,943	1,486	12,827	24,256
Professional fees	398,782	59,588	23,505	481,875
Promotional materials	0	0	11,288	11,288
Repairs and maintenance	101,045	15,099	0	116,144
Retirement benefits	78,019	11,658	4,440	94,117
Supplies	91,771	13,713	11,549	117,033
Telephone	2,576	385	0	2,961
Travel	754	113	337	1,204
Total expenses	<u>\$ 4,451,150</u>	<u>\$ 660,686</u>	<u>\$ 367,778</u>	<u>\$ 5,479,614</u>

See accompanying notes to financial statements.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program	Management		
	Services	and General	Fundraising	Total
Salaries	\$ 2,802,652	\$ 444,148	\$ 169,726	\$ 3,416,526
Conferences	18,192	2,718	0	20,910
Depreciation	53,005	7,920	0	60,925
Dues and licenses	10,041	1,500	1,475	13,016
Employee benefits	179,585	26,835	3,237	209,657
Food and venue	0	0	69,210	69,210
Insurance	44,180	6,602	1,085	51,867
Miscellaneous	14,484	2,164	5,131	21,779
Occupancy	294,089	17,143	25,623	336,855
Payroll taxes	200,026	29,889	12,650	242,565
Postage	5,190	775	1,636	7,601
Printing	6,400	956	7,310	14,666
Professional fees	361,855	52,495	29,016	443,366
Promotional materials	0	0	17,335	17,335
Repairs and maintenance	20,536	3,069	0	23,605
Retirement benefits	75,002	11,207	5,092	91,301
Supplies	40,443	6,043	26,653	73,139
Telephone	2,685	401	0	3,086
Travel	87	13	372	472
Total expenses	<u>\$ 4,128,452</u>	<u>\$ 613,878</u>	<u>\$ 375,551</u>	<u>\$ 5,117,881</u>

See accompanying notes to financial statements.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
Change in net assets	\$ (508,753)	\$ (547,323)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	46,340	60,925
Loss on disposition of assets	0	111
Net realized and unrealized losses (gains) on investments	(393,182)	1,007,256
Changes in discount of pledges receivable	(619)	2,411
Restricted contributions, gifts, and bequests	(12,973)	(13,330)
Changes in operating assets and liabilities:		
Accounts receivable	54,932	(59,545)
Employee Retention Credit receivable	286,624	98,920
Pledges receivable	103,232	(540,716)
Prepaid expenses and other assets	20,627	(20,627)
Accounts payable	13,159	11,618
Accrued expenses	61,148	5,869
Net cash flows from operating activities	<u>(329,465)</u>	<u>5,569</u>
Investing activities		
Purchase of investments	(1,768,518)	(1,192,918)
Proceeds from sale/redemption of investments	2,042,938	1,040,221
Purchase of property and equipment	(34,087)	0
Net cash flows from investing activities	<u>240,333</u>	<u>(152,697)</u>
Financing activities		
Restricted contributions, gifts, and bequests	12,973	13,330
Payments on capital lease obligations	(3,936)	(6,084)
Net cash flows from financing activities	<u>9,037</u>	<u>7,246</u>
Net change in cash and cash equivalents	(80,095)	(139,882)
Cash and cash equivalents		
Beginning of year	901,994	1,041,876
End of year	<u>\$ 821,899</u>	<u>\$ 901,994</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 234	\$ 0

See accompanying notes to financial statements.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Cerebral Palsy K.I.D.S. Center, Inc. d/b/a Kids Center for Pediatric Therapies (the Center) is a not-for-profit corporation located in Louisville, Kentucky, which provides medical and therapeutic services to children in the regional area who have developmental disabilities. The Center is supported primarily through program service fees, donor contributions, grants, and Kosair Charities.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Management's Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Center maintains cash in bank deposit accounts, which at times may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments, consisting of primarily common stocks, mutual funds, and fixed income obligations are stated at fair value. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. Fair values for investments are based on quoted market prices. Investment income is accrued as earned.

The Center invests in various types of investment securities which are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of financial position.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Accounts Receivable and Program Service Fees

Program service fees are reported at the amount that reflects the consideration to which the Center expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others, and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Center bills the patients and third-party payors several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Center. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Center believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients receiving services in our Center. The Center measures the performance obligation from the commencement of an outpatient service to the point when it is no longer required to provide services to that patient, which is generally at the time of completion of the outpatient services. Revenue for performance obligations satisfied at a point in time is generally recognized when services are provided to our patients, and the Center does not believe it is required to provide additional services related to that sale.

The Center determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Center's policy, and implicit price concessions provided to uninsured patients. The Center determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Center determines its estimate of implicit price concessions based on its historical collection experience with this class of patients.

Employee Retention Credit Receivable and Revenue

During the Center's fiscal years 2023 and 2022, the Center qualified, and applied for, the Employee Retention Credit (ERC) in the amount of \$276,619 and \$681,252, respectively, authorized under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Effective January 1, 2021, employers were eligible if they operated a trade or business during January 1, 2021, through June 30, 2021, and experienced either:

- 1) A full or partial suspension of the operation of their trade or business during this period because of governmental orders limiting commerce, travel or group meetings due to COVID-19, or
- 2) A decline in gross receipts in a calendar quarter in 2021 where the gross receipts of that calendar quarter were less than 80% of the gross receipts in the same calendar quarter in 2019.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

The Center has elected to account for the ERC as a government grant in the statement of activities and changes in net assets and a receivable in the statement of financial position.

Laws and regulations concerning government programs, including the ERC established by the CARES Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Center's claim to the ERC, and it is not possible to determine the impact (if any) this would have on the Center.

Pledges Receivable

Unconditional pledges receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The allowances offset against pledges receivable represent management's estimate of expected losses to be realized, and are based on historical experience, current economic conditions, and other relevant factors. Amortization of the discounts is included in contribution revenue. Conditional pledges are recognized when the conditions on which they depend are substantially met.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, or if donated, at the fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated lives of the assets ranging from three to 40 years.

Gifts of long-lived assets such as land, buildings, and equipment are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Net Assets

The financial statements report the changes in, and totals of each net asset class based on the existence of donor restrictions, as applicable. Net assets, support, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. Accordingly, the net assets of the Center are classified and reported as follows:

- Net assets without donor restrictions: Net assets that are currently available for operating purposes under the direction of the board or designated by the board for specific use.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

- Net assets with donor restrictions: Net assets subject to donor stipulations for specific operating purposes or time restrictions. These include donor restrictions requiring the net assets be held in perpetuity or for a specified term with investment return available for operations or specific purposes.

Contributions and Grants

Contributions and grants received are recorded as net assets without or with donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Allocation of Expenses

Operating expenses directly identifiable with a functional area are charged to that area, and where expenses affect more than one area, they are allocated on the basis of ratios determined by management. The expenses that are allocated include salaries, employee benefits and retirement benefits which are allocated based on estimates of time and effort, and occupancy costs which are allocated based on square footage. While the methods of allocation are considered appropriate, other methods could produce different results.

Donated Materials or Services

Donations of materials and equipment are reflected as contributions in the statement of activities and changes in net assets at their fair values at the date of receipt. No amounts have been reflected in the statement of activities and changes in net assets for donated services.

Income Tax Status

The Center is a charitable, nonprofit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, the Center is generally exempt from income taxes. However, the Center is required to file Federal Form 990 – Return of Organization Exempt from Income Tax, which is an informational return only.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Center, and has concluded that as of June 30, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

The Center has filed its federal and state income tax returns for periods through June 30, 2022. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Subsequent Events

The Center has evaluated events or transactions occurring subsequent to the statement of financial position date for recognition and disclosure in the accompanying financial statements through the date the financial statements were available to be issued which is November 21, 2023.

2. INVESTMENTS

Investments, at fair value, consist of the following as of June 30, 2023 and 2022:

	2023	2022
Common stocks	\$ 2,718,963	\$1,929,926
Mutual funds	1,374,752	2,093,599
Corporate bonds	1,293,095	1,614,796
Municipal bonds	370,273	0
	<u>\$ 5,757,083</u>	<u>\$5,638,321</u>

3. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.
 - Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
 - Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.
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CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

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The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Center are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Center are deemed to be actively traded.
- *Corporate and municipal bonds*: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

The following table sets forth by level, within the hierarchy, the Center's assets measured at fair value on a recurring basis as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
Common stocks				
Basic materials	\$ 56,781	\$ 0	\$ 0	\$ 56,781
Communications	152,102	0	0	152,102
Consumer discretionary	279,969	0	0	279,969
Consumer staples	234,079	0	0	234,079
Energy	141,542	0	0	141,542
Financials	419,619	0	0	419,619
Healthcare	380,298	0	0	380,298
Industrials	209,110	0	0	209,110
Real estate	112,239	0	0	112,239
Technology	632,376	0	0	632,376
Utilities	100,848	0	0	100,848
	<u>2,718,963</u>	<u>0</u>	<u>0</u>	<u>2,718,963</u>
Mutual funds				
Large cap value	40,247	0	0	40,247
Large cap growth	40,788	0	0	40,788
Mid cap blend	281,086	0	0	281,086
Small cap value	71,791	0	0	71,791
Small cap blend	106,258	0	0	106,258
Foreign large blend	177,653	0	0	177,653
Foreign large growth	180,002	0	0	180,002
Short term bond	151,137	0	0	151,137
International value	97,880	0	0	97,880
Realty funds	2,007	0	0	2,007
Emerging markets	225,903	0	0	225,903
	<u>1,374,752</u>	<u>0</u>	<u>0</u>	<u>1,374,752</u>
Corporate bonds				
Basic materials	0	89,920	0	89,920
Consumer services	0	96,655	0	96,655
Financials	0	827,352	0	827,352
Healthcare	0	97,823	0	97,823
Technology	0	85,196	0	85,196
Utilities	0	96,149	0	96,149
	<u>0</u>	<u>1,293,095</u>	<u>0</u>	<u>1,293,095</u>
Municipal bonds	<u>0</u>	<u>370,273</u>	<u>0</u>	<u>370,273</u>
	<u>\$ 4,093,715</u>	<u>\$ 1,663,368</u>	<u>\$ 0</u>	<u>\$ 5,757,083</u>

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

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The following table sets forth by level, within the hierarchy, the Center's assets measured at fair value on a recurring basis as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Common stocks				
Basic materials	\$ 42,842	\$ 0	\$ 0	\$ 42,842
Communications	122,468	0	0	122,468
Consumer discretionary	180,833	0	0	180,833
Consumer staples	132,962	0	0	132,962
Energy	77,352	0	0	77,352
Financials	214,692	0	0	214,692
Healthcare	331,280	0	0	331,280
Industrials	171,535	0	0	171,535
Real estate	71,772	0	0	71,772
Technology	506,124	0	0	506,124
Utilities	78,066	0	0	78,066
	1,929,926	0	0	1,929,926
Mutual funds				
Large cap value	29,568	0	0	29,568
Large cap growth	26,059	0	0	26,059
Mid cap blend	308,013	0	0	308,013
Small cap value	112,718	0	0	112,718
Small cap blend	98,612	0	0	98,612
Foreign large blend	323,307	0	0	323,307
Foreign large growth	326,340	0	0	326,340
Foreign small cap	110,390	0	0	110,390
Short term bond	439,038	0	0	439,038
Intermediate term bond	17,037	0	0	17,037
Realty funds	74,046	0	0	74,046
Emerging markets	228,471	0	0	228,471
	2,093,599	0	0	2,093,599
Corporate bonds				
Basic materials	0	91,136	0	91,136
Consumer goods	0	99,486	0	99,486
Consumer services	0	98,909	0	98,909
Financials	0	940,500	0	940,500
Healthcare	0	100,223	0	100,223
Technology	0	86,689	0	86,689
Energy	0	99,993	0	99,993
Utilities	0	97,860	0	97,860
	\$ 4,023,525	\$ 1,614,796	\$ 0	\$ 5,638,321

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

4. PLEDGES RECEIVABLE

The Center has unconditional pledge commitments outstanding from donors totaling approximately \$708,000 and \$816,000 as of June 30, 2023 and 2022, respectively. These pledges are due in varying amounts through 2025. The present value of the pledges as of June 30, 2023 and 2022, using a 2% discount factor, is shown in the table below. The Center estimates uncollectible amounts based on management's estimate of expected losses to be realized.

As of June 30, 2023 and 2022, pledges receivable consisted of the following:

	<u>2023</u>	<u>2022</u>
Due in less than one year	\$ 571,250	\$ 653,248
Due in one to five years	<u>136,250</u>	<u>162,917</u>
Total pledges receivable	707,500	816,165
Less discount for present value	(2,672)	(3,291)
Less allowance for uncollectible pledges	<u>(35,375)</u>	<u>(40,808)</u>
Pledges receivable, net	<u>\$ 669,453</u>	<u>\$ 772,066</u>

5. PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 2,978	\$ 2,978
Playground equipment	127,844	127,844
Leasehold improvements	1,302,741	1,302,741
Furniture and equipment	<u>366,206</u>	<u>332,118</u>
	1,799,769	1,765,681
Less accumulated depreciation	<u>1,206,868</u>	<u>1,160,527</u>
Property and equipment, net	<u>\$ 592,901</u>	<u>\$ 605,154</u>

Depreciation expense for 2023 and 2022 was approximately \$46,000 and \$61,000, respectively. There were no material outstanding commitments for property and equipment as of June 30, 2023.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

6. CONTRIBUTED NONFINANCIAL ASSETS

The Center leases its facilities from Kosair Charities under a charitable lease agreement. Under this agreement, Kosair Charities waived the requirement for monthly rent in the amount of \$28,100. This amount is considered a charitable grant and reduces the amount of the annual grant provided to the Center by Kosair Charities. Fair value is estimated using the average price per square foot of rental listings in the Center's service area. The total amount recognized for grant income and occupancy expense is \$336,855 for each of the years ending June 30, 2023 and 2022, and is allocated among program and supporting services based upon the square footage occupied.

7. 401(K) PLAN

The Center sponsors a 401(k) savings plan (the Plan), whereby the employees may elect to make contributions pursuant to a salary reduction agreement upon meeting age and length of service requirements. The Center made an elective contribution to the Plan for 2023 and 2022 in the amount of \$94,117 and \$91,301, respectively. The amount represents a contribution of 3% of eligible salaries for 2023 and 2022.

8. CONCENTRATIONS OF RISK

The Center grants credit without collateral to its clients. Accounts receivable and program service fees were comprised of the following as of and for the years ended June 30, 2023 and 2022:

	2023		2022	
	Revenues	Receivables	Revenues	Receivables
Medicaid	36%	35%	33%	41%
Humana	12%	11%	14%	5%
Anthem	32%	15%	33%	10%
Other Commercial	20%	20%	20%	11%
Patient Pay	0%	19%	0%	33%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Center's total support from Kosair Charities approximated 27% and 16% for 2023 and 2022, respectively.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

9. NET ASSETS WITH DONOR RESTRICTIONS AND NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions restricted for specific purposes consist of the following amounts and purposes as of June 30, 2023 and 2022:

	2023	2022
Pledges receivable subject to a time restriction	\$ 669,453	\$ 772,066
Capital projects	181,187	56,338
Endowment fund	554,420	536,714
Total net assets with donor restrictions	<u>\$ 1,405,060</u>	<u>\$ 1,365,118</u>

Net assets with donor restrictions were released from restrictions due to satisfaction of time and purpose restrictions during the years ended June 30, 2023 and 2022:

	2023	2022
Capital projects	\$ 34,385	\$ 1,063
Time restricted	696,221	542,370
Total	<u>\$ 730,606</u>	<u>\$ 543,433</u>

Earnings on donor restricted endowments are for general use.

10. ENDOWMENT FUNDS

The Center's endowments consist of various investment securities, most of which are traded on public markets. The endowments are made of net assets without donor restrictions with board designation and net assets with donor restrictions. As required by accounting principles generally accepted in the United States of America, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund is as follows as of June 30, 2023:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Board designated endowment funds	\$ 6,021,255	\$ 0	\$ 6,021,255
Donor restricted endowment funds	0	554,420	554,420
	<u>\$ 6,021,255</u>	<u>\$ 554,420</u>	<u>\$ 6,575,675</u>

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

The changes in endowment net assets for 2023 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Beginning of year	\$ 5,534,289	\$ 536,714	\$ 6,071,003
Contributions	0	18,063	18,063
Net assets released from restriction	0	(52,713)	(52,713)
Investment return			
Investment income	131,952	14,188	146,140
Net appreciation (unrealized and realized)	355,014	38,168	393,182
End of year	<u>\$ 6,021,255</u>	<u>\$ 554,420</u>	<u>\$ 6,575,675</u>

Endowment net asset composition by type of fund is as follows as of June 30, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Board designated endowment funds	\$ 5,534,289	\$ 0	\$ 5,534,289
Donor restricted endowment funds	0	536,714	536,714
	<u>\$ 5,534,289</u>	<u>\$ 536,714</u>	<u>\$ 6,071,003</u>

The changes in endowment net assets for 2022 are as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Beginning of year	\$ 6,273,759	\$ 528,117	\$ 6,801,876
Contributions	0	8,597	8,597
Net assets released from restriction	0	78,103	78,103
Investment return			
Investment income	171,563	18,120	189,683
Net depreciation (unrealized and realized)	(911,033)	(96,223)	(1,007,256)
End of year	<u>\$ 5,534,289</u>	<u>\$ 536,714</u>	<u>\$ 6,071,003</u>

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Interpretation of Relevant Law: The Center's Board of Directors has determined the requirements of Kentucky's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to center around the preservation of the fair value of the original investment as of the date of the asset transfers. Investments resulting from donations directing that they be invested in perpetuity are classified as net assets with donor restrictions. The earnings generated by these investments are classified as net assets with donor restrictions and are reclassified as net assets without donor restrictions upon their appropriation for expenditure by the Center in a manner consistent with the standard of prudence prescribed by Kentucky's version of the UPMIFA. The Center considers the following factors in making a determination to appropriate or accumulate its endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Center and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Center
- (7) The investment policies of the Center

Return objectives and risk parameters: The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the spending rate, aggregate costs of portfolio management, the long-term inflation rate and any growth factor the Board may, from time to time, determine appropriate while assuming a moderate level of investment risk. The Center expects its endowment funds, over time, to provide an average rate of return that exceeds the distribution rate plus inflation as measured by the Consumer Price Index.

Strategies employed for achieving objectives: To satisfy its long-term rate-of-return objectives, the Center 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). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending policies and how the investment objectives relate to spending policy: The Center has a policy of appropriating for distribution each year the greater of five percent of its endowment fund's average fair value over the prior 12 quarters through the calendar year end preceding the fiscal year in which the distribution is planned, or the fair value at the end of the fiscal year per the last audited financial statement. In establishing this policy, the Center considered the long-term expected return on its endowment. Accordingly, over the long-term, the Center expects the current spending policy to allow its endowment to maintain the fair value of the original gift. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds with deficiencies: From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments).

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

The Center has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At June 30, 2023 and 2022, there were no underwater endowments.

11. LIQUIDITY AND AVAILABILITY

The following table reflects the Center's financial assets as of June 30, 2023 and 2022 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual or other restrictions.

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 821,899	\$ 901,994
Pledges receivable	669,453	772,066
Accounts receivable	267,772	322,704
Employee Retention Credit receivable	0	286,624
Investments	<u>5,757,083</u>	<u>5,638,321</u>
Financial assets available in one year	7,516,207	7,921,709
Donor restricted	<u>(1,405,060)</u>	<u>(1,365,118)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,111,147</u>	<u>\$ 6,556,591</u>

The Center strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in money market funds and other short-term investments. The Center's board designated endowment of \$6,021,255 is subject to an annual spending rate of five percent as described in Note 10. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available, if necessary.

12. PROFESSIONAL LIABILITY INSURANCE

The Center maintains professional liability insurance through purchased commercial insurance coverage. This provides protection from liability in amounts not to exceed as follows:

Per occurrence	<u>\$ 1,000,000</u>
Aggregate	<u>\$ 2,000,000</u>
Professional umbrella aggregate	<u>\$ 1,000,000</u>

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

13. OTHER INFORMATION

The Center has been named as a successor beneficiary of a trust. The amount to be received and the date at which the Center will receive benefit from the trust cannot be reasonably determined. As a result, no amount has been recorded in the financial statements.

SUPPLEMENTARY INFORMATION

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

SCHEDULE OF SUPPORT
YEAR ENDED JUNE 30, 2023

	Net Assets Without Donor Restrictions		Net Assets With	Total
	Undesignated	Board Designated	Donor Restrictions	
Contributions and grants				
Metro United Way	\$ 0	\$ 0	\$ 352	\$ 352
Kosair grant	286,855	0	525,000	811,855
Other grants	402,525	0	164,944	567,469
Total contributions and grants	689,380	0	690,296	1,379,676
Other support				
Program services fees	2,552,413	0	0	2,552,413
Walk, Rock 'N' Roll	30,198	0	0	30,198
Fashion show	1,925	0	0	1,925
Kroger gift cards	2,811	0	0	2,811
Annual funds	124,837	0	0	124,837
Heart pins	5,000	0	12,973	17,973
Champions breakfast	71,159	0	0	71,159
Ability Ball	134,201	0	10,200	144,401
Miscellaneous	106,146	0	0	106,146
Total other support	3,028,690	0	23,173	3,051,863
Net assets released from restrictions	730,616	0	(730,616)	0
Total support	\$ 4,448,686	\$ 0	\$ (17,147)	\$ 4,431,539

See report of independent auditors on pages 1 through 3.

CEREBRAL PALSY K.I.D.S. CENTER, INC. D/B/A KIDS CENTER FOR PEDIATRIC THERAPIES

SCHEDULE OF SUPPORT
YEAR ENDED JUNE 30, 2022

	Net Assets Without Donor Restrictions		Net Assets With	Total
	Undesignated	Board Designated	Donor Restrictions	
Contributions and grants				
Metro United Way	\$ 0	\$ 0	\$ 1,195	\$ 1,195
Kosair grant	322,502	0	1,134,353	1,456,855
Employee Retention Credit	681,252	0	0	681,252
Other grants	264,990	0	6,267	271,257
Total contributions and grants	1,268,744	0	1,141,815	2,410,559
Other support				
Program services fees	2,507,628	0	0	2,507,628
Walk, Rock 'N' Roll	1,625	0	0	1,625
Kroger gift cards	2,179	0	0	2,179
Annual funds	89,131	0	0	89,131
Heart pins	5,000	0	13,330	18,330
Champions breakfast	95,628	0	0	95,628
Ability Ball	130,833	0	23,230	154,063
Miscellaneous	109,099	0	0	109,099
Total other support	2,941,123	0	36,560	2,977,683
Net assets released from restrictions	543,433	0	(543,433)	0
Total support	\$ 4,753,300	\$ 0	\$ 634,942	\$ 5,388,242

See report of independent auditors on pages 1 through 3.