



FINANCIAL STATEMENTS

Years Ended September 30, 2018 and 2017

REPORT FROM
TILL, HESTER, EYER & BROWN, P.C.
Certified Public Accountants
BIRMINGHAM, ALABAMA

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Alabama Head Injury Foundation, Inc.
Birmingham, Alabama

We have audited the accompanying financial statements of Alabama Head Injury Foundation, Inc. (a non-profit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alabama Head Injury Foundation, Inc. as of September 30, 2018 and 2017, 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.

Till, Hester, Eyer & Brown, P.C.

February 16, 2019

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENTS OF FINANCIAL POSITION
September 30, 2018 and 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 190,878	\$ 156,696
Accounts receivable	50,942	60,748
Prepaid expenses	3,632	2,015
Property and equipment, net	3,461	4,036
Beneficial interest in assets held by others	150,172	146,579
Beneficial interest in assets held by others-restricted	24,260	23,338
Deposits	<u>1,091</u>	<u>1,091</u>
TOTAL ASSETS	\$ <u>424,436</u>	\$ <u>394,503</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 28,164	\$ 26,233
Accrued paid time off	79,721	71,134
Accrued payroll and related taxes	8,665	8,906
Benefits payable	3,563	-
Deferred revenue	<u>1,550</u>	<u>-</u>
TOTAL LIABILITIES	121,663	106,273
NET ASSETS		
Unrestricted	271,691	264,692
Temporarily restricted	6,322	-
Permanently restricted	<u>24,760</u>	<u>23,538</u>
TOTAL NET ASSETS	<u>302,773</u>	<u>288,230</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>424,436</u>	\$ <u>394,503</u>

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES				
United Way	\$ 189,834	\$ -	\$ -	\$ 189,834
Contributions	104,897	13,900	650	119,447
Government grants	788,307	-	-	788,307
Special events and fundraising	15,369	-	-	15,369
Interest and investment income, net	3,977	-	572	4,549
Other revenue	16,198	-	-	16,198
Total support and revenues	<u>1,118,582</u>	<u>13,900</u>	<u>1,222</u>	<u>1,133,704</u>
Net assets released from restrictions	7,578	(7,578)	-	-
EXPENSES				
Resource coordination	490,597	-	-	490,597
Respite care	110,024	-	-	110,024
Support groups	109,528	-	-	109,528
TBI camp	33,786	-	-	33,786
Juvenile TBI program	265,154	-	-	265,154
Fundraising	53,463	-	-	53,463
General and administrative	56,609	-	-	56,609
Total expenses	<u>1,119,161</u>	<u>-</u>	<u>-</u>	<u>1,119,161</u>
CHANGE IN NET ASSETS	6,999	6,322	1,222	14,543
NET ASSETS AT BEGINNING OF YEAR	<u>264,692</u>	<u>-</u>	<u>23,538</u>	<u>288,230</u>
NET ASSETS AT END OF YEAR	<u>\$ 271,691</u>	<u>\$ 6,322</u>	<u>\$ 24,760</u>	<u>\$ 302,773</u>

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2017

	Unrestricted	Permanently Restricted	Total
SUPPORT AND REVENUES			
United Way	\$ 189,890	\$ -	\$ 189,890
Contributions	75,453	625	76,078
Government grants	690,420	-	690,420
Special events and fundraising	31,416	-	31,416
Interest and investment income, net	7,203	1,395	8,598
Other revenue	13,211	-	13,211
Total support and revenues	<u>1,007,593</u>	<u>2,020</u>	<u>1,009,613</u>
EXPENSES			
Resource coordination	467,684	-	467,684
Respite care	106,717	-	106,717
Support groups	104,274	-	104,274
TBI camp	20,604	-	20,604
Juvenile TBI program	243,080	-	243,080
Fundraising	65,001	-	65,001
General and administrative	54,420	-	54,420
Total expenses	<u>1,061,780</u>	<u>-</u>	<u>1,061,780</u>
CHANGE IN NET ASSETS	(54,187)	2,020	(52,167)
NET ASSETS AT BEGINNING OF YEAR	<u>318,879</u>	<u>21,518</u>	<u>340,397</u>
NET ASSETS AT END OF YEAR	<u>\$ 264,692</u>	<u>\$ 23,538</u>	<u>\$ 288,230</u>

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2018

	Resource Coordination	Respite Care	Support Groups	TBI Camp	Juvenile TBI Program	Total Program	Fundraising	General and Administrative	Total
Bank charges	\$ 52	\$ 4	\$ 9	\$ 1	\$ 8	\$ 74	\$ 114	\$ 5	\$ 193
Camp	-	-	-	18,695	-	18,695	-	-	18,695
Client case funds	3,105	-	-	-	-	3,105	-	-	3,105
Depreciation	352	28	58	9	52	499	40	36	575
Dues	689	28	57	9	50	833	40	37	910
Employee benefits	40,848	3,264	6,735	1,048	5,987	57,882	4,632	4,231	66,745
Events	-	-	-	-	-	-	4,167	-	4,167
Home health and respite care	-	71,966	-	-	-	71,966	-	-	71,966
Insurance	1,383	111	228	35	203	1,960	157	143	2,260
Marketing	1,330	106	219	34	31	1,720	24	22	1,766
Meetings: Staff and board	1,053	134	174	27	154	1,542	152	109	1,803
Miscellaneous	116	9	19	3	13	160	10	9	179
Occupancy	25,002	1,998	21,612	641	1,780	51,033	1,378	1,258	53,669
Payroll taxes	29,669	2,371	4,892	761	3,221	40,914	1,012	925	42,851
Postage	2,685	214	443	69	136	3,547	306	59	3,912
Printing	3,478	277	573	89	7,872	12,289	197	45	12,531
Professional services	5,980	13	626	1,622	139,929	148,170	-	13,800	161,970
Salaries	342,301	27,350	56,428	8,796	50,174	485,049	38,833	35,443	559,325
Software	543	12	24	4	22	605	131	15	751
Staff development	720	-	-	-	-	720	-	-	720
Supplies	2,820	225	465	73	2,154	5,737	142	130	6,009
Support group	-	-	13,017	-	-	13,017	-	-	13,017
Telephone	7,672	252	520	81	462	8,987	362	326	9,675
Travel	20,799	1,662	3,429	1,789	52,906	80,585	1,766	16	82,367
	<u>\$ 490,597</u>	<u>\$ 110,024</u>	<u>\$ 109,528</u>	<u>\$ 33,786</u>	<u>\$ 265,154</u>	<u>\$ 1,009,089</u>	<u>\$ 53,463</u>	<u>\$ 56,609</u>	<u>\$ 1,119,161</u>

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2017

	Resource Coordination	Respite Care	Support Groups	TBI Camp	Juvenile TBI Program	Total Program	Fundraising	General and Administrative	Total
Advertising	\$ 7,540	\$ -	\$ -	\$ -	\$ -	\$ 7,540	\$ -	\$ -	\$ 7,540
Bank charges	40	3	7	1	9	60	93	4	157
Camp	-	-	-	9,108	-	9,108	-	-	9,108
Client case funds	2,212	-	-	-	-	2,212	-	-	2,212
Depreciation	569	48	104	15	134	870	70	60	1,000
Dues	509	28	59	8	76	680	40	34	754
Employee benefits	37,630	3,203	6,862	993	8,853	57,541	4,632	3,996	66,169
Events	-	-	-	-	-	-	13,387	-	13,387
Home health and respite care	-	69,438	-	-	-	69,438	-	-	69,438
Insurance	1,701	145	310	45	400	2,601	209	181	2,991
Loss on disposition of assets	955	81	174	25	225	1,460	118	102	1,680
Marketing	489	42	89	13	-	633	-	-	633
Meetings: Staff and board	1,098	229	173	25	224	1,749	149	101	1,999
Miscellaneous	187	16	34	5	44	286	23	20	329
Occupancy	28,540	987	15,085	306	2,728	47,646	1,427	1,232	50,305
Payroll taxes	31,673	2,696	5,775	835	2,018	42,997	1,056	911	44,964
Postage	2,415	205	440	64	186	3,310	246	54	3,610
Printing	2,039	173	372	54	549	3,187	12	-	3,199
Professional services	-	-	-	-	105,700	105,700	-	13,600	119,300
Salaries	318,458	27,124	58,085	8,394	74,461	486,522	38,956	33,646	559,124
Software	218	15	33	5	43	314	22	19	355
Staff development	155	-	-	-	-	155	-	-	155
Supplies	2,915	248	532	77	5,103	8,875	172	148	9,195
Support group	-	-	11,776	-	-	11,776	-	-	11,776
Telephone	7,350	250	536	77	691	8,904	362	312	9,578
Travel	20,991	1,786	3,828	554	41,636	68,795	4,027	-	72,822
	<u>\$ 467,684</u>	<u>\$ 106,717</u>	<u>\$ 104,274</u>	<u>\$ 20,604</u>	<u>\$ 243,080</u>	<u>\$ 942,359</u>	<u>\$ 65,001</u>	<u>\$ 54,420</u>	<u>\$ 1,061,780</u>

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,543	\$ (52,167)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	575	1,000
Loss on disposition of assets	-	1,680
Contributed beneficial interest	(350)	(140,425)
Net gains on beneficial interest in assets held by others	(4,165)	(7,974)
(Increase) decrease in:		
Accounts receivable	9,806	22,531
Prepaid expenses	(1,617)	(533)
Increase (decrease) in:		
Accounts payable	1,931	3,367
Accrued payroll and related taxes	(241)	446
Accrued paid time off	8,587	10,185
Benefits payable	3,563	-
Deferred revenue	1,550	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>34,182</u>	<u>(161,890)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	34,182	(161,890)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>156,696</u>	<u>318,586</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>190,878</u></u>	\$ <u><u>156,696</u></u>

NONCASH INVESTING ACTIVITIES

During the year ended September 30, 2017, the Foundation disposed of equipment with a cost of \$8,982 and accumulated depreciation of \$7,302.

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Alabama Head Injury Foundation, Inc. (the “Foundation” or “AHIF”) is a non-profit organization formed to improve the quality of life for survivors of traumatic brain injury (TBI) and for their families. The Foundation’s support comes primarily from contributions and state grants. Approximately 70% and 68% of the Foundation’s support was provided by the State of Alabama for the years ended September 30, 2018 and 2017, respectively. Its programs include:

- Resource Coordination - Local staff (Resource Coordinators) in communities across Alabama work directly with traumatic brain injury survivors and their family to identify financial resources available to assist with long-term care; to secure durable medical equipment and necessary home modifications; to help get medical bills written-off or reduced; and to establish annual goals for both the survivor and the caregivers.
- Respite Care - AHIF works with local home health agencies to provide limited respite care opportunities for caregivers of traumatic brain injury survivors.
- Support Groups - Resource Coordinators hold local support group meetings (at least one per month), to provide survivors and their families with opportunities to learn about opportunities in their community; to learn about advancements/developments in the field of TBI care; to share strategies for coping with TBI; and to provide recreational and social activities to combat the social isolation that often comes with TBI.
- TBI Camp - AHIF offers a weeklong camp in April for survivors at Camp ASCCA in Jackson’s Gap, Alabama.
- Bright Ideas TBI Camp - AHIF offers a therapy camp to longer-term TBI survivors to help jump start additional recovery.
- Juvenile TBI Program - AHIF partners with the Alabama Department of Rehabilitation Services (ADRS) through a Federal Administration for Community Living (ACL) grant to investigate the identification of TBI in juveniles that will allow them to receive care to prevent negative outcomes associated with a missed TBI diagnosis.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. If donor-imposed restrictions are met in the same period as the gift or investment income is received, the amount is reported as unrestricted revenue. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- *Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* - Net assets that are available for use, but expendable only for those purposes specified by the grantor.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation.

Cash and Cash Equivalents

Cash and cash equivalents are determined to be cash and investments having an original maturity date of three months or less and certificates of deposit maturing within one year. Permanently restricted cash represents funds received but not yet transferred to the Charles Priest Endowed Fund, see Note C for further information on the endowment fund.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Income Taxes

The Foundation is a non-profit organization established under section 501(c)(3) of the Internal Revenue Code and is exempt from taxation. Therefore, no provision or liability for income taxes has been included in these financial statements. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purposes.

The Foundation's federal exempt organization tax returns are subject to possible examination by the Internal Revenue Service. For federal income tax purposes, the tax returns essentially remain open for possible examination for a period of three years after the respective filing deadlines of those returns.

Accounts Receivable

The Foundation reports accounts receivable at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against earnings. Based on management's review of accounts, no allowance for doubtful accounts was considered necessary at September 30, 2018 and 2017. Approximately 86% and 88% of receivables at September 30, 2018 and 2017, respectively, were from the State of Alabama. The Foundation also had one other receivable that represented 13% and 11% of receivables at September 30, 2018 and 2017, respectively.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions are generally available for unrestricted use during the year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Foundation has chosen to show restricted

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

contributions when restrictions are met in the same reporting period as unrestricted support.

Contributions of donated noncash assets are recorded at their fair values in the period received. Noncash donations of supplies, food, advertising and spaces for fundraising events and support group meetings totaling \$26,122 and \$29,884 for the years ended September 30, 2018 and 2017, respectively, have been recorded in the Statements of Activities as donations and expenses for the value of those items received.

Property and Equipment

Purchased property and equipment are stated at cost; donated assets are valued at their estimated fair value on the date donated. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as temporarily restricted support. Absent explicit donor stipulations about how those assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service.

All assets are depreciated over estimated useful lives under the straight line and accelerated methods. Repairs and maintenance and small equipment purchases are expensed as incurred. Expenditures that significantly increase asset values or extend useful lives are capitalized. Acquisitions of property and equipment in excess of \$750 that meet the capitalization requirements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and gains or losses are included on the statements of activities. Depreciation expense for the years ended September 30, 2018 and 2017, was \$575 and \$1,000, respectively.

Donated Services

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received. Although the Foundation receives the generous support of volunteers who assist in fund-raising and special projects, those services do not meet the criteria for recognition in the financial statements.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

The Foundation expenses the cost of advertising the first time the advertising activity takes place. Total advertising expense included in expenses during the years ended September 30, 2018 and 2017 was \$-0- and \$7,540, respectively.

Reclassification

Certain reclassifications have been made to prior year amounts to conform with the current presentation. The reclassifications have no effect on the classes of net assets or the change in net assets for the prior year.

NOTE B - CASH

At September 30, 2018 and 2017, current cash balances consist of the following:

	2018	2017
Cash - Unrestricted	\$ 190,378	\$ 156,496
Cash - Permanently restricted	<u>500</u>	<u>200</u>
	\$ <u>190,878</u>	\$ <u>156,696</u>

NOTE C - CHARLES PRIEST ENDOWED FUND

During the year ended September 30, 2014, the Foundation established the Charles Priest Endowed Fund (the Fund). The Fund was established to receive permanently restricted contributions to honor the leadership, commitment, and twenty-four years of service of Mr. Charles D. Priest. Once the Fund reaches a minimum balance of \$25,000, a 5% spending policy will be applied to the Fund to allow income generated from the Fund to support the operations of the Foundation. During the year ended September 30, 2016, the

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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Foundation transferred the accumulated contributions and earnings to a community foundation to increase the earnings on the funds. See Note G for further details.

NOTE D - PROPERTY AND EQUIPMENT

At September 30, 2018 and 2017, property and equipment consist of the following:

	2018	2017
Equipment	\$ 10,941	\$ 10,941
Less accumulated depreciation	<u>(7,480)</u>	<u>(6,905)</u>
	\$ <u>3,461</u>	\$ <u>4,036</u>

NOTE E - DESCRIPTION OF LEASING ARRANGEMENTS

The Foundation leases its office space under an operating lease through November 1, 2019. The lease calls for monthly rent with a 3% increase in rent effective October 1st of each year of the lease. Total rent expense under these leases for the years ended September 30, 2018 and 2017 was \$34,921 and \$36,367 respectively.

The Foundation leases equipment under various operating leases through June 2023. Total rent expense for the years ended September 30, 2018 and 2017 was \$1,444 and \$668, respectively.

Minimum rental commitments on noncancellable operating leases for the next five years as of September 30 are as follows:

2019	\$ 35,485
2020	7,391
2021	1,080
2022	731
2023	488

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

NOTE F - SUMMARY OF GRANTS/CONTRACTS FUNDING

The following is a summary of grants and contracts for the year ended September 30, 2018:

Funding Source	Grant Contract Number	Grant Contract Period	Total Grant Contract	Recognized Support
State of Alabama Department of Rehabilitation Services - Administration for Community Living (ACL) program	AE7087MS27 (as amended)	June 1, 2017 - September 30, 2018	\$ 340,934	\$ 294,942
State of Alabama Department of Rehabilitation Services - Alabama Head and Spinal Cord Injury Trust Fund (AHSCITF) Case Management Initiative	AE8087MS09	October 1, 2017 - September 30, 2018	493,365	<u>493,365</u>
				\$ <u>788,307</u>

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018 and 2017

The following is a summary of grants and contracts for the year ended September 30, 2017:

Funding Source	Grant Contract Number	Grant Contract Period	Total Grant Contract	Recognized Support
State of Alabama Department of Rehabilitation Services - Administration for Community Living (ACL) program	AE6087MS25	June 1, 2016 - May 31, 2017	\$ 277,360	\$ 144,416
State of Alabama Department of Rehabilitation Services - Administration for Community Living (ACL) program	AE7087MS27	June 1, 2017 - May 31, 2018	236,840	45,992
State of Alabama Department of Rehabilitation Services - Alabama Head and Spinal Cord Injury Trust Fund (AHSCITF) Case Management Initiative	AE7087MS09	October 1, 2016 - September 30, 2017	500,012	<u>500,012</u>
				<u>\$ 690,420</u>

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE G - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

Two agency funds are held by the Community Foundation of West Alabama (“CFWA”) for the benefit of the Foundation: the Charles Priest Endowed Fund and the Alabama Head Injury Foundation, Inc. Fund (AHIF Fund). The CFWA retains variance power with respect to both funds. That power gives the CFWA the right to distribute the investment income to another not-for-profit entity of its choice if the Foundation ceases to exist. Transfers from the Foundation to the agency funds held by the CFWA for its benefit with no donor obligations to do so, in accordance with U.S. GAAP, are recorded as assets (beneficial interest in assets held by others) on the books of the Foundation even though the CFWA retains variance power, as the Foundation named itself as beneficiary. The Foundation can withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets or both, less management fees, upon request. The agreements can be terminated at any month end upon thirty days’ formal notice by either party.

Charles Priest Endowed Fund (Permanently restricted) - During the year ended September 30, 2016, the Foundation transferred \$20,989 from an interest-bearing account to the CFWA to establish the Charles Priest Endowed Fund as an agency fund. There were no distributions of income during the years ended September 30, 2018 and 2017. At September 30, 2018 and 2017, the endowment fund has a value of \$24,260 and \$23,338, respectively.

AHIF Fund - During the year ended September 30, 2017, the Foundation transferred \$140,000 to establish the AHIF Fund with the CFWA for the benefit of the Foundation. The purpose of the AHIF Fund is to assist the Foundation with operational expenses. There were no distributions of income during the years ended September 30, 2018 and 2017. At September 30, 2018 and 2017, the fund has a value of \$150,172 and \$146,579, respectively.

NOTE H - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques

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that are consistent with the market, income or cost approach are used to measure fair value.

The Foundation follows ASC Topic 820 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Foundation has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The following is a description of the valuation methodology used for assets measured at fair value:

- Beneficial interest in assets held by others is considered a Level 3 asset and is reported at the fair value based on values provided by the CFWA. CFWA determines the fair values based on the unit value of the Foundation's interest in the pools in which it has invested. The unit is based on the fair value of the underlying assets in the pools (see Note G).

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The following tables present the Foundation's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at September 30, 2018 and 2017:

Fair Value Measurements on a Recurring Basis

At September 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Beneficial interest in				
assets held by others	\$ <u>-</u>	\$ <u>-</u>	\$ <u>174,432</u>	\$ <u>174,432</u>

At September 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Beneficial interest in				
assets held by others	\$ <u>-</u>	\$ <u>-</u>	\$ <u>169,917</u>	\$ <u>169,917</u>

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The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs for the years ended September 30:

	Fair value measurements using significant unobservable inputs (Level 3)	
	2018	2017
Beginning balance	\$ 169,917	\$ 21,518
Contributed beneficial interests	350	140,425
Total gains or losses (realized/unrealized) included in changes in net assets	1,891	6,369
Dividends and interest	4,692	2,966
Fees	(2,418)	(1,361)
Ending balance	<u>\$ 174,432</u>	<u>\$ 169,917</u>
The amount of total gains for the period included in changes in net assets attributable to the change in unrealized gains relating to investments still held at the reporting date		
	<u>\$ 2,992</u>	<u>\$ 5,462</u>

NOTE I - RETIREMENT PLAN

The Foundation has a Tax Sheltered Annuity Retirement Plan (under Section 403(b) of the Internal Revenue Code) for eligible employees of the Foundation. In accordance with Internal Revenue Service regulations, the plan does not allow for the Foundation to make discretionary contributions. Contributions may only be made by employees through salary deferrals.

The Foundation also has a Simplified Employee Pension - Individual Retirement Account (SEP/IRA) for eligible employees. The Foundation contributes 1% for eligible employees. The Foundation's expense for the Plan was \$5,081 and \$5,112 for the years ended September 30, 2018 and 2017, respectively.

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NOTE J - CONCENTRATIONS OF CREDIT RISK

The Foundation maintains its cash balances in various financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Foundation had no uninsured cash balances at September 30, 2018 and 2017, respectively.

NOTE K - SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 16, 2019 the date the financial statements were available to be issued.