



FINANCIAL STATEMENTS

Year Ended September 30, 2023

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

Opinion

We have audited the accompanying financial statements of Alabama Head Injury Foundation, Inc. (a non-profit organization), which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Alabama Head Injury Foundation, Inc. as of September 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Alabama Head Injury Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Alabama Head Injury Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

February 13, 2024

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2023

ASSETS

Cash and cash equivalents	\$ 344,501
Accounts receivable	8
Grants receivable	70,682
Pledges receivable, net	45,484
Prepaid expenses	2,006
Deferred rent	938
Property and equipment, net	4,271
Beneficial interest in assets held by others	319,452
Beneficial interest in assets held by others-restricted	37,456
Operating lease right-of-use asset, net	129,029
Deposit	<u>3,052</u>
TOTAL ASSETS	<u><u>\$ 956,879</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 25,127
Accrued paid time off	97,337
Accrued payroll and related taxes	15,499
Operating lease obligation	129,967
Benefits payable	<u>9,787</u>
TOTAL LIABILITIES	277,717

NET ASSETS

Without donor restrictions	565,911
With donor restrictions	<u>113,251</u>
TOTAL NET ASSETS	<u>679,162</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 956,879</u></u>

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
United Way	\$ 158,351	\$ 45,484	\$ 203,835
Contributions	77,534	1,063	78,597
Contributions of nonfinancial assets	7,930	-	7,930
Government grants	999,005	-	999,005
Special events and fundraising	6,275	-	6,275
Interest and investment income, net	34,173	3,449	37,622
Other revenue	301	-	301
Net assets released from restrictions	83,650	(83,650)	-
Total support and revenues	<u>1,367,219</u>	<u>(33,654)</u>	<u>1,333,565</u>
EXPENSES			
Resource coordination	493,257	-	493,257
Respite care	65,966	-	65,966
Support groups	202,651	-	202,651
TBI camps	164,580	-	164,580
Counseling program	147,230	-	147,230
Other TBI programs	205,293	-	205,293
Fundraising	24,333	-	24,333
General and administrative	67,382	-	67,382
Total expenses	<u>1,370,692</u>	<u>-</u>	<u>1,370,692</u>
CHANGE IN NET ASSETS	(3,473)	(33,654)	(37,127)
NET ASSETS AT BEGINNING OF YEAR	<u>569,384</u>	<u>146,905</u>	<u>716,289</u>
NET ASSETS AT END OF YEAR	<u>\$ 565,911</u>	<u>\$ 113,251</u>	<u>\$ 679,162</u>

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2023

	Program Services								General and	
	Resource Coordination	Respite Care	Support Groups	TBI Camps	Counseling Program	Other TBI Programs	Total Program	Fundraising	Administrative	Total
Advertising	\$ 2,781	\$ 190	\$ 1,092	\$ 444	\$ 856	\$ -	\$ 5,363	\$ 100	\$ 312	\$ 5,775
Bank charges	31	2	12	5	10	-	60	559	3	622
Camp	-	-	-	61,483	-	49	61,532	-	-	61,532
Client case funds	5,245	-	-	-	346	-	5,591	-	-	5,591
Depreciation	717	49	282	114	220	-	1,382	26	81	1,489
Dues	302	20	119	48	498	-	987	34	27	1,048
Employee benefits	43,695	2,980	17,166	6,974	13,454	-	84,269	1,567	4,908	90,744
Events	-	-	-	-	-	-	-	5,402	-	5,402
Home health and respite care	-	33,564	-	-	-	-	33,564	-	-	33,564
Insurance	1,266	86	497	906	425	-	3,180	221	142	3,543
Lease Expense	20,775	1,417	8,206	3,329	5,294	-	39,021	640	970	40,631
Marketing	1,204	82	473	192	-	-	1,951	-	-	1,951
Meetings: Staff and board	332	23	131	53	138	209	886	12	37	935
Miscellaneous	341	13	184	30	55	-	623	6	20	649
Occupancy	152	10	7,990	25	39	-	8,216	2	7	8,225
Payroll taxes	33,488	2,284	13,156	5,345	2,165	-	56,438	243	761	57,442
Postage	793	54	437	166	138	14	1,602	495	47	2,144
Printing	1,712	117	672	273	377	1,139	4,290	377	137	4,804
Professional services	-	-	225	3,650	5,040	184,831	193,746	-	18,800	212,546
Salaries	363,042	24,759	142,624	57,940	111,789	-	700,154	13,020	40,774	753,948
Software	209	14	1,276	36	1,968	-	3,503	488	23	4,014
Staff development	190	13	135	30	849	-	1,217	7	21	1,245
Supplies	1,681	115	781	372	1,629	802	5,380	210	91	5,681
Support group	-	-	3,257	-	-	225	3,482	-	-	3,482
Telephone	5,358	123	1,190	769	1,354	-	8,794	65	203	9,062
Travel	9,943	51	2,746	22,396	586	18,024	53,746	859	18	54,623
	<u>\$ 493,257</u>	<u>\$ 65,966</u>	<u>\$ 202,651</u>	<u>\$ 164,580</u>	<u>\$ 147,230</u>	<u>\$ 205,293</u>	<u>\$ 1,278,977</u>	<u>\$ 24,333</u>	<u>\$ 67,382</u>	<u>\$ 1,370,692</u>

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
STATEMENT OF CASH FLOWS
Year Ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (37,127)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:	
Depreciation	1,489
Amortization of operating right of use asset	38,510
Contributed beneficial interest	(1,417)
Net (gains) on beneficial interest in assets held by others	(33,834)
(Increase) decrease in:	
Accounts, grants and pledges receivable	37,389
Prepaid expenses	(592)
Deferred rent	(938)
Increase (decrease) in:	
Accounts payable	(2,951)
Accrued payroll and related taxes	12,943
Accrued paid time off	20,104
Operating lease obligation	(37,572)
NET CASH (USED) BY OPERATING ACTIVITIES	(3,996)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(1,389)
NET CASH (USED) BY INVESTING ACTIVITIES	(1,389)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,385)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	349,886
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 344,501

See accompanying notes.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

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 75% of the Foundation’s support was provided by the State of Alabama for the year ended September 30, 2023. Programs include:

- Resource Coordination - Local staff (Client Specialists) 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 - AHIF Field Staff hold Zoom support groups and local support group meetings, 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 Camps - AHIF offers multiple recreational camp opportunities for survivors at Camp ASCCA in Jackson’s Gap, Alabama and at Camp McDowell in Nauvoo, Alabama.
- Bright Ideas TBI Camp - AHIF offers university-based therapy camps to longer-term TBI survivors to help jump start additional recovery.
- Caregiver Programs - AHIF offers caregiver support groups aimed at developing a support system for caregivers of TBI survivors.
- Mental Health Counseling - In addition to AHIF’s full-time counselor on staff, other AHIF staff and AHIF interns provide mental health counseling services at no cost, available to both survivors and caregivers who are struggling with the emotional consequences of living with a TBI or caring for a TBI survivor.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

- Other TBI Programs - AHIF partners with the Alabama Department of Rehabilitation Services (ADRS) through a Federal Administration for Community Living (ACL) grant to investigate opportunities to identify TBI survivors within the Alabama Department of Mental Health and ensure they are offered specific support for any challenges or needs that are a direct result of their TBI.

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 and Revenue Recognition

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The Foundation reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restriction - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restriction - Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Contributions are recognized in revenue when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Foundation has adopted a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Interest income and other miscellaneous income is recognized when received.

Income from ticket sales, sponsorships, advertising, and events may be received in advance of providing the service. These advance payments are reported as deferred revenue. Revenue is recognized in the period the event is held or the service is provided. Payment is due prior to the start of the event.

Contributions of donated noncash assets are recorded at their fair values in the period received. Noncash donations of meeting spaces totaling \$7,930 for the year ended September 30, 2023, have been recorded in the Statements of Activities as donations for the value received.

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.

Prior year receivables for grant and pledge receivables totaling \$153,121 were all received in the current years

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. Cash with donor restrictions represents funds with donor stipulations and time restrictions, as well as 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, 2023

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 on September 30, 2023.

Pledges Receivable/Promises to Give

Donors and the Foundation enter into agreements which contain the terms of any restrictions placed upon contributions. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are recorded at the present value of their net realizable value and discounted at an appropriate market discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

An allowance for uncollectible contributions and pledges receivable is recorded based upon management's judgment, including such factors as prior collection history, type of contribution or pledge, and the creditworthiness of applicable donors. As of September 30, 2023, the Foundation believes all pledges receivable are collectible and did not provide an allowance for doubtful accounts.

During the year ended September 30, 2023, the Foundation received \$45,484 of unconditional promises to give, subject to time restrictions. All amounts were due in less than one year and thus no discount to net realizable value was considered necessary.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

Government Grants and Grants Receivable

The Foundation records grants receivable and revenues based on the budget approved and services provided. Government grants are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the contracts. Government grants are generally considered as contributions with donor restrictions based upon specific requirements contained in the grant contract. Government grant revenues received and expended in the same fiscal year are reflected as revenues without donor restrictions. Grants receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. During the year ended September 30, 2023, the Foundation did not write off any grants receivable. As of September 30, 2023, the Foundation believes all grants receivable are collectible and did not provide an allowance for doubtful accounts. All grant receivable for September 30, 2023 were due from the State of Alabama.

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 donor 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 was \$1,489 for the year ended September 30, 2023.

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. Certain categories of expenses are attributable to programs and administrative support. The expenses include salaries, payroll taxes and other benefits, depreciation, insurance, meetings, occupancy, postage, printing, supplies, telephone and travel. Expenses are allocated based on estimates of time and effort.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

Advertising/Marketing

The Foundation expenses the cost of advertising the first time the advertising/marketing activity takes place. Total advertising expense included in expenses during the year ended September 30, 2023 was \$7,726.

Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the “FASB”) established Accounting Standards Codification (“ASC”) 842, “Leases,” by issuing Accounting Standards Update (“ASU”) 2016-02 (and subsequent amendments via ASU 2018-01, ASU 2018-10 and ASU 2018-11) in order to increase transparency and comparability among organizations by recognizing operating lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The new lease standard was effective for the Foundation on October 1, 2022. Prior to adoption of the new lease standard, only leases classified as capital leases under ASC Topic 840, “Leases,” were recorded in the statement of financial position. Under ASC 842, “Leases,” the Foundation classifies leases as either finance leases (formerly capital leases) or operating leases, and a right-of-use (“ROU”) asset and lease liability are required to be recognized in the statement of financial position for both finance and operating leases with a term longer than 12 months. The new lease standard requires a modified retrospective transition approach and provides an optional transition method to either (1) record current existing leases as of the effective date; or (2) record leases existing as of the earliest comparative period presented in the financial statements by restating comparative period financial statements.

The Foundation adopted the new lease standard as of October 1, 2022, using the effective date as the date of application. As such, financial statement information and disclosures required under the new lease standard are not provided for dates and periods prior to October 1, 2022. The new lease standard provides for a number of optional practical expedients in transition, which include: (1) not requiring an entity to reassess prior conclusions about lease identification, lease classification or initial direct costs; (2) allowing an entity to use a portfolio approach for similar lease assets; (3) allowing an entity to elect an accounting policy to choose not to separate non-lease components of an agreement from lease components (by asset class); (4) allowing the use of hindsight in estimating lease term or assessing impairment of right-of-use assets; (5) not requiring an entity to reassess prior conclusions about land easements; and (6) allowing non public businesses to use a risk-free rate as the discount rate. The Foundation elected all of the practical expedients permitted under the transition guidance within the new lease standard.

The new lease standard also provides practical expedients for ongoing accounting. The Foundation elected the short-term lease recognition exemption for equipment leases, which means that for those leases that qualify, the Organization does not recognize right-of-use assets

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

or lease liabilities and recognize the expense related to the short-term leases on a straight-line basis over the lease term and any variable lease payments in the period in which the obligation for those payments is incurred. The Foundation has also elected the practical expedient that allows for no separation of non-lease components of an agreement from lease components (for certain non-real estate assets). See Note E - Leases for further discussion on leases.

In 2019 FASB issued ASU No. 2019-12, *Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes*. This standard is effective for nonprofit companies for years beginning after December 15, 2021. The standard provides for a simplification of accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and aims to improve consistent application of GAAP for accounting for income taxes. The Foundation adopted the ASU in the current year. There was no impact upon adoption.

NOTE B - CASH

At September 30, 2023 current cash balances consist of the following:

Cash - Without donor restrictions	\$ 314,190
Cash - With donor restrictions	<u>30,311</u>
	\$ <u>344,501</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 may 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 Foundation transferred the accumulated contributions and earnings to a community foundation to increase the earnings on the funds. See Note G for further details. Changes in the endowed funds as of September 30, are as follows:

Endowed funds, beginning of year	\$ 33,541
Contributions	467
Investment return, net	<u>3,448</u>
Endowed funds, end of year	\$ <u><u>37,456</u></u>

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

NOTE D - PROPERTY AND EQUIPMENT

At September 30, 2023, property and equipment consist of the following:

Equipment	\$ 12,004
Less accumulated depreciation	<u>(7,733)</u>
	\$ <u>4,271</u>

NOTE E - LEASES

The Foundation leases real estate and office equipment under long-term lease agreements. The leases have remaining terms of three to five years. None of the leases have an option to extend the lease. The Foundation has no short term leases as of September 30, 2023.

Upon adoption of Topic 842 and application of practical expedients, the Foundation recognized right-of-use assets and lease liabilities based on the present value of its remaining minimum rent payments for existing operating leases as of the adoption date, utilizing the Foundation's applicable risk-free rate as of the lease commencement date. The adoption of Topic 842 resulted in the Foundation recognizing \$163,846 of operating right-of-use assets and operating lease liabilities in the Statement of Financial Position as of October 1, 2022. The adoption of Topic 842 had no material impact on the Foundation's Statement of Activities or Statement of Cash Flows.

During the year ended September 30, 2023, the Foundation had one lease terminate at the end of the lease term. The Foundation entered into a new lease agreement with a lease start date in May 2023 for upgraded equipment which resulted in the Foundation recognizing \$4,327 of operating right-of-use assets and operating lease liabilities in the Statement of Financial Position.

The Foundation assesses whether an agreement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration). The Foundation has elected to combine and account for both lease and non-lease components as a single component. The Foundation has elected not to record leases with an initial term of 12 months or less on the Statement of Financial Position for all asset classes.

The Foundation recognizes a right-of-use asset and a lease liability at the lease commencement date. For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at reduced cost using the effective interest rate.

ALABAMA HEAD INJURY FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2023

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred or previously recognized favorable lease assets, less any lease incentives received or previously recognized lease exit accruals. For operating leases, the right-of-use asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term. For finance leases, the right-of-use asset

is reduced using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the Foundation or the Foundation is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the right-of-use asset is reduced over the expected useful life of the underlying asset. Expense related to the reduction of the right-of-use asset is recognized and presented separately from interest expense on the lease liability. Right-of-use assets for operating and finance leases are periodically reduced by impairment losses. The Foundation uses the long-lived assets impairment guidance in ASC 360, "Property, Plant, and Equipment," to determine whether right-of-use assets are impaired and, if so, the amount of the impairment loss to recognize.

The Foundation monitors for events or changes in circumstances that require a reassessment of one of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the corresponding right-of-use asset unless doing so would reduce the carrying amount of the right-of-use asset to an amount less than zero. In that case, the amount of the adjustment that would result in a negative right-of-use asset balance is recorded in profit or loss.

Key estimates and judgments related to the measurement and recording of right-of-use assets and lease liabilities include how the Foundation determines: (1) the discount rate used to discount the unpaid lease payments to present value; and (2) the expected lease term, including any extension options.

ASC 842, "Leases," requires a lessee to discount its unpaid lease payments using the interest rate implicit in the lease or, if that rate cannot be readily determined, the risk-free rate. Generally, the Foundation cannot determine the interest rate implicit in the lease due to a lack of access to the lessor's estimated residual value or the amount of the lessor's deferred initial direct costs. Therefore, the Foundation generally will use a risk-free rate as the discount rate for the lease. The Foundation determines the discount rate for leases based on the risk-free rate as of the commencement date for varying maturities corresponding to the remaining lease term.

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The Foundation's lease agreements require fixed monthly payments (subject to either specific or index-based escalations in future periods). Lease payments included in the measurement of the lease liability comprise the: (1) fixed lease payments, including in-substance fixed payments, owed over the lease term, which include termination penalties the Foundation would owe if the estimated lease term assumes a likelihood to exercise a termination option prior to the earliest expiration date; and (2) the exercise price of the option to purchase the underlying asset if the Foundation is reasonably certain to exercise the option. The Foundation's leases do not typically contain residual value guarantees.

As of September 30, 2023, operating right-of-use assets were \$167,176, with accumulated amortization of \$38,147.

Additional information regarding the Foundation's operating leases are as follows:

<u>Lease Expense</u>	<u>Statement of Activities Classification</u>	
Operating lease expense	Program	\$ 39,021
Operating lease expense	Fundraising	640
Operating lease expense	General and Administrative	970
Net lease expense		<u>\$ 40,631</u>

<u>Maturities of Lease Liabilities</u>	<u>Operating Lease</u>
2024	\$ 41,792
2025	41,119
2026	40,368
2027	10,668
2028	576
Thereafter	-
Total lease payments	<u>134,523</u>
Present value discount	<u>(4,556)</u>
Total	129,967
Less current portion	<u>(39,522)</u>
Total long term portion	<u>\$ 90,445</u>

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Weighted-Average Lease Term and Discount Rate

Weighted-average remaining lease terms (in years):

Operating	3.18
Weighted-average discount rates	
Operating	2.15%

Other Information

Cash paid for amounts included in measurement of lease liabilities:

Operating cash flows used in operating leases	\$ 37,572
ROU assets obtained in exchange for lease obligations	
Operating lease, initial recognition	\$ 167,539

NOTE F - SUMMARY OF GRANTS/CONTRACTS FUNDING

The following is a summary of grants and contracts for the year ended September 30, 2023:

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	AE3087MS69	August 1, 2023 - July 31, 2024	\$ 182,936	\$ 34,374
State of Alabama Department of Rehabilitation Services - Administration for Community Living (ACL) program	AE2087MS71	July 1, 2022 - September 30, 2023	82,250	41,773

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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	AE2087MS72	August 1, 2022 - July 31, 2023	\$ 182,936	\$ 174,056
State of Alabama Department of Rehabilitation Services - Alabama Head and Spinal Cord Injury Trust Fund (AHSCITF) Case Management Initiative	AE3087MS09	October 1, 2022 - September 30, 2023	748,802	<u>748,802</u>
				<u>\$ 999,005</u>

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.

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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, 2023. At September 30, 2023, the endowment fund has a value of \$37,456.

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 year ended September 30, 2023. At September 30, 2023, the fund has a value of \$319,452.

NOTE H - INVESTMENTS AND 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 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.

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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).

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, 2023:

Fair Value Measurements on a Recurring Basis

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
ASSETS				
Beneficial interest in assets held by others	\$ -	\$ -	\$ 356,908	\$ 356,908

The following schedule summarizes the investment return in the statement of activities for the year ended September 30, 2023:

Bank interest	\$ 3,788
Dividends and interest	7,314
Net realized and unrealized gains (losses)	30,011
Fees	<u>(3,491)</u>
Investment income (loss), net	<u>\$ 37,622</u>

The amount of total gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to investments still held at the reporting date	<u>\$ 28,289</u>
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Investment revenues are reported net of related external and direct internal investment expenses in the statement of activities.

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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 contributed 2% for eligible employees for the year ended September 30, 2023. The Foundation's expense for the Plan was \$13,890 for the year ended September 30, 2023

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2023, net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:

ACL grant	\$ 26,848
Sunshine Fund	<u>3,463</u>
	30,311

Subject to time restriction:

United Way	<u>45,484</u>
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Permanently restricted:

Charles Priest Endowed Fund	<u>37,456</u>
	\$ <u><u>113,251</u></u>

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NOTE K - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflect the Foundation's financial assets as of the statement of financial position date, reduced by donor-imposed restrictions:

Financial assets:

Cash and cash equivalents	\$ 344,501
Accounts receivable	8
Pledges receivable, net	45,484
Grants receivable	70,682
Beneficial interest in assets held by others	<u>356,908</u>
Total financial assets	817,583

Less amounts not available for general expenditure
within one year due to:

Cash and beneficial interest in assets held by others with permanent restrictions	(37,456)
Amounts restricted for specific purpose	(30,311)
Amounts restricted by time	<u>(45,484)</u>
	<u>(113,251)</u>

Financial assets available to meet cash needs
for general expenditure within one year \$ 704,332

The Foundation's primary sources of support are government grants, United Way, contributions, and fundraising events.

The Foundation has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability and within budgeted amounts, maintaining liquidity to fund near-term operations, and maintaining sufficient reserves to fund future operations.

NOTE L - CONCENTRATIONS

The Foundation received donations from a single donor which equated to 22% of the Foundation's total contributions for the year ended September 30, 2023.

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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 uninsured cash balances of \$108,566 at September 30, 2023.

NOTE M - SUBSEQUENT EVENTS

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through February 13, 2024, the date the financial statements were available to be issued.