

**PEDIATRIC ALTERNATIVE TREATMENT, CARE,  
HOUSING AND EVALUATION SERVICES, INC.**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT.....	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3
Statements of Activities.....	4
Statement of Functional Expenses – June 30, 2023.....	5
Statement of Functional Expenses – June 30, 2022.....	6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8-15

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Pediatric Alternative Treatment, Care, Housing and Evaluation Services, Inc.  
Miami, Florida

### **Opinion**

We have audited the accompanying financial statements of Pediatric Alternative Treatment, Care, Housing and Evaluation Services, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, 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 the Organization as of June 30, 2023 and 2022, 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 the Organization 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 the Organization'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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*DRAFT*

GUTIERREZ MADARIAGA, CPA P.A.

Miami, Florida

July 22, 2024

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

**ASSETS**

	<u>2023</u>	<u>2022</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,675,629	\$ 1,729,258
Short-term investments	68,970	65,884
Accounts receivable, net	281,070	184,940
Contributions receivable - short term	125,000	-
Other assets	3,119	1,279
<b>TOTAL CURRENT ASSETS</b>	<u>2,153,788</u>	<u>1,981,361</u>
Contributions receivable - long term, net	322,157	-
Operating leases, right of use asset	1,057,092	-
Property and equipment, net	<u>441,351</u>	<u>467,916</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,974,388</u></u>	<u><u>\$ 2,449,277</u></u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	133,987	262,926
Operating lease liabilities, current portion	318,497	-
Note payable - SBA EIDL, current	3,361	1,596
<b>TOTAL CURRENT LIABILITIES</b>	<u>455,845</u>	<u>264,522</u>
<b>LONG-TERM LIABILITIES</b>		
Operating lease liabilities, non-current portion	757,232	-
Mortgage payable	318,575	418,575
Note payable - SBA EIDL, long term	144,845	148,304
<b>TOTAL LONG TERM LIABILITIES</b>	<u>1,220,652</u>	<u>566,879</u>
<b>TOTAL LIABILITIES</b>	1,676,497	831,401
<b>NET ASSETS</b>		
Without donor restrictions	1,765,734	1,617,876
With donor restrictions	532,157	-
<b>TOTAL NET ASSETS</b>	<u>2,297,891</u>	<u>1,617,876</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,974,388</u></u>	<u><u>\$ 2,449,277</u></u>

The accompanying notes are an integral part of these financial statements.

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Without Donor Restrictions
<b>REVENUES AND OTHER SUPPORT</b>				
Nursing and therapy	\$ 5,919,669	\$ -	\$ 5,919,669	\$ 5,305,166
Contributions	503,251	532,157	1,035,408	1,516,729
Grant revenues	82,042	-	82,042	97,586
Interest income	4,605	-	4,605	7,412
Other income	11,791	-	11,791	8,983
Net assets released from restrictions	-	-	-	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<b>6,521,358</b>	<b>532,157</b>	<b>7,053,515</b>	<b>6,935,876</b>
<b>EXPENSES</b>				
Program services	5,504,443	-	5,504,443	5,803,174
	5,504,443	-	5,504,443	
Supporting services:				
General and administrative	606,078	-	606,078	509,936
Fundraising	262,979	-	262,979	127,714
<b>TOTAL EXPENSES</b>	<b>6,373,500</b>	<b>-</b>	<b>6,373,500</b>	<b>6,440,824</b>
<b>CHANGE IN NET ASSETS</b>	<b>147,858</b>	<b>532,157</b>	<b>680,015</b>	<b>495,052</b>
<b>NET ASSETS, at beginning of year</b>	<b>\$ 1,617,876</b>	<b>\$ -</b>	<b>\$ 1,617,876</b>	<b>\$ 1,122,824</b>
<b>NET ASSETS, at end of year</b>	<b>\$ 1,765,734</b>	<b>\$ 532,157</b>	<b>\$ 2,297,891</b>	<b>\$ 1,617,876</b>

The accompanying notes are an integral part of these financial statements.

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Supporting Services			Total
	Program Services	Management & General	Fundraising	
Advertising	\$ 4,637	\$ -	\$ 1,159	\$ 5,796
Automobile	127	1,016	127	1,270
Bank charges	441	441	441	1,323
Bad debt	6,372	-	-	6,372
Catered foods	83,122	-	-	83,122
Charity care	166,755	-	-	166,755
Cleaning services	30,159	1,587	-	31,746
Depreciation	43,667	2,298	-	45,965
Dues and subscriptions	3,288	217	108	3,613
Employee welfare	1,831	120	60	2,011
Fundraising	-	10,373	58,778	69,151
Fuel	40,072	-	-	40,072
Insurance	161,031	9,868	3,452	174,351
Interest	13,091	-	-	13,091
Legal services	-	1,300	-	1,300
Leased equipment	8,884	-	-	8,884
Licenses	-	-	-	-
Meals	5,208	5,173	-	10,381
Miscellaneous	5,737	2,845	-	8,582
NEM transportation	88,246	-	-	88,246
Payroll taxes	338,068	23,410	11,105	372,583
Payroll processing fees	46,996	3,099	1,549	51,644
Postage and shipping	-	811	-	811
Professional fees	-	39,193	39,193	78,386
Rent	302,538	14,982	-	317,520
Repairs and maintenance	48,863	-	-	48,863
Salaries	3,881,133	371,993	135,270	4,388,396
Security	1,670	-	-	1,670
Software expenses	64,249	16,062	-	80,311
Staff development	5,606	-	-	5,606
Supplies	13,785	77,562	-	91,347
Telephone	22,516	11,412	2,769	36,697
Travel	604	3,928	1,510	6,042
Utilities	53,371	930	-	54,301
Village Development	-	7,458	7,458	14,916
Workers compensation	62,376	-	-	62,376
	<u>\$ 5,504,443</u>	<u>\$ 606,078</u>	<u>\$ 262,979</u>	<u>\$ 6,373,500</u>

The accompanying notes are an integral part of these financial statements.

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	Supporting Services		Total
		Management & General	Fundraising	
Advertising	\$ 1,182	\$ -	\$ 295	\$ 1,477
Automobile	57	455	57	569
Bank charges	545	649	441	1,635
Bad debt	8,898	-	-	8,898
Catered foods	75,115	-	-	75,115
Charity care	328,762	-	-	328,762
Cleaning services	29,035	3,226	-	32,261
Depreciation	45,149	2,376	-	47,525
Dues and subscriptions	1,877	124	62	2,063
Fundraising	-	-	24,000	24,000
Insurance	269,025	18,544	6,144	293,713
Interest	6,311	-	-	6,311
Legal services	-	1,360	-	1,360
Leased equipment	29,457	-	-	29,457
Licenses	2,355	2,355	-	4,710
Meals	5,681	4,468	1,117	11,266
NEM transportation	79,903	-	-	79,903
Payroll taxes	320,873	31,195	2,713	354,781
Postage and shipping	-	252	294	546
Professional fees	30,176	24,272	24,272	78,720
Rent	282,710	14,880	-	297,590
Repairs and maintenance	16,396	-	-	16,396
Salaries	4,017,852	368,682	61,447	4,447,981
Security	2,268	-	-	2,268
Software expenses	41,195	4,577	-	45,772
Supplies	86,696	15,299	-	101,995
Telephone	33,515	8,937	2,234	44,686
Travel	8,994	5,996	-	14,990
Utilities	51,117	2,289	-	53,406
Village Development	-	-	4,638	4,638
Workers compensation	28,030	-	-	28,030
	<u>\$ 5,803,174</u>	<u>\$ 509,936</u>	<u>\$ 127,714</u>	<u>\$ 6,440,824</u>

The accompanying notes are an integral part of these financial statements.

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 680,015	\$ 495,052
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Non-cash lease expense	317,521	-
Change in allowance	10,856	(161,564)
Change in discount	27,843	-
Depreciation	45,965	47,525
(Increase) Decrease in operating assets		
Accounts receivable	(106,986)	350,809
Pledges receivable	(475,000)	(23,376)
Other assets	(4,926)	2,336
Increase (Decrease) in operating liabilities		
Accounts payable and accrued expenses	(128,939)	255,775
Operating lease liabilities	(298,884)	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>67,465</u>	<u>966,557</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of fixed assets	(19,400)	-
<b>NET CASH (USED IN) INVESTING ACTIVITIES</b>	<u>(19,400)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payment on installment loan	-	(23,211)
Payments on SBA note	(1,694)	-
Payment on mortgage payable	(100,000)	-
Payments on line of credit	-	(135)
<b>NET CASH (USED IN) FINANCING ACTIVITIES</b>	<u>(101,694)</u>	<u>(23,346)</u>
<b>NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS</b>	<u>(53,629)</u>	<u>943,211</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>1,729,258</u>	<u>786,047</u>
End of year	<u>\$ 1,675,629</u>	<u>\$ 1,729,258</u>
<b>SUPPLEMENTAL DISCLOSURE</b>		
Cash paid for interest	<u>\$ 13,091</u>	<u>\$ 14,712</u>

The accompanying notes are an integral part of these financial statements.

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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**NOTE 1 – NATURE OF ORGANIZATION**

Pediatric Alternative Treatment, Care, Housing and Evaluation Services, Inc. (the “Organization”) is a non-profit organization incorporated in the state of Florida on May 17, 2000. The Organization provides prescribed extended nursing care and therapy for children with sub-acute and chronic illnesses who no longer need hospital care. The Organization also provides services and programs to educate parents and caregivers about their child’s condition or illness and the interventions that will increase their child’s wellness.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

**Basis of Presentation**

The financial statement presentation follows the recommendations of accounting standards codification (ASC) 958-205 “Not-for-Profit Entities”. Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets.

*Net Assets Without Donor Restrictions*

Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the primary objectives of the Organization. The Organization’s board of directors may designate assets without restrictions for specific operational purposes from time to time.

*Net Assets With Donor Restrictions*

Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions as of June 30, 2023 and 2022 were \$532,127 and \$0, respectively.

**Cash and Cash Equivalents**

Cash and cash equivalents include all highly liquid investments with a maturity date of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**Investments**

The Organization carries investments at their fair values in the statement of financial position. Quoted market prices in active markets are used as the basis of measurement. Net investment income (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law. Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

**Accounts and Grants Receivable**

Accounts and grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable, net as of June 30, 2023 and 2022 were \$281,070 and \$184,940, respectively.

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

**Property and Equipment**

Property and equipment are carried at cost. It is the Organization's policy to capitalize property and equipment over \$1,000. Depreciation and amortization are computed on the estimated useful lives of the various assets, applied on the straight-line method. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is recognized in income for the period. The cost of maintenance and repairs is expensed as incurred; Significant renewals and betterments are capitalized. Deductions are made for retirements resulting from renewals or betterments. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with restrictions.

**Impairment of Long-Lived Assets**

Management reviews long lived assets for impairment when circumstances indicate the carrying amount of an asset group may not be recoverable based on the undiscounted future cash flows of the asset group. If the carrying amount of an asset group may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, active market prices, or external appraisals, as applicable. Long lived assets are reviewed for impairment at the lowest level independent cash flows can be identified. There was no such impairment for the years ended June 30, 2023 and 2022.

**Leases**

The Organization determines if an arrangement is a lease at the inception of the contract. At the lease commencement date, each lease is evaluated to determine whether it will be classified as an operating or finance lease. For leases with a lease term of 12 months or less (a "Short-term" lease), any fixed lease payments are recognized on a straight-line basis over such term, and are not recognized on the statement of financial position.

Lease terms include the noncancellable portion of the underlying leases along with any reasonably certain lease periods associated with available renewal periods, termination options and purchase options. Operating lease right-of-use assets also include any lease incentives. The lease agreements generally contain lease and non-lease components. Non-lease components, which primarily include payments for maintenance and utilities, are combined with lease payments and accounted for as a single lease component. The Organization includes the fixed non-lease components in the determination of the right-of-use assets and operating lease liabilities. The Organization records the amortization of the right of use asset and the accretion of lease liability as a component of rent expense in the statement of activities. The Organization uses the risk-free discount rate when the rate implicit in the lease is not readily determinable at the commencement date in determining the present value of lease payments.

**Revenue Recognition**

*Contributions*

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Contributions with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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 met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Amortization of the discount is included in contribution revenue. Management uses the allowance method to account for uncollectible unconditional promises to give.

*Grant Revenues*

Grant revenues are recognized in the period expenditures are incurred and paid in compliance with terms of the grant.

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

*Nursing and Therapy*

Nursing and Therapy Revenue contain a single delivery element and revenue is recognized at a single point in time when ownership, risks and rewards transfer with respect to the service provided. The Organization identifies all performance obligations in connection with the services and only recognizes revenue once the performance obligations have been met and does not believe that it is required to provide additional services or obligations to the client. For nursing and therapy, revenue is recognized after the client has received the services and the funds are billed to the Medicaid agency (AHCA). The transaction price is allocated based on the service provided. Revenue is recognized at a specific point in time once the performance obligation relating to the program is met.

*Contract balances*

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Statement of Financial Position. Amounts are billed upon achievement of contractual milestones. The Organization receives advances or deposits from customers, before revenue is recognized, resulting in contract liabilities. These deposits are liquidated when revenue is recognized.

*Patient service fees*

Fees for patient services are recorded at standard rates which are fixed by the AHCA. Charges for these services are included in the accompanying Statement of Activities. Retroactive adjustments if needed are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Performance obligations are determined based on the nature of the goods or services provided by the Organization in accordance with a contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided at a single point in time.

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, costs have been allocated among the program and supporting services benefited. The expenses that are allocated are personnel expenses, which are allocated on the basis of estimates of time and effort; facilities and depreciation, which are allocated on a weighted-average square footage basis; and supplies and contracted services, which are allocated based on actual expenses incurred for each function.

**Income Tax Status**

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code and is classified as a public charity.

**Uncertainty in Income Taxes**

The Organization follows the provisions of ASC 740, "Accounting for Uncertainty in Income Taxes", which clarifies the accounting for uncertainty and income taxes recognized in an enterprises financial statement and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on due recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

Based on its evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The evaluation was performed for the tax years ended June 30, 2020, 2021 in 2022, the taxpayers which remain subject to examination by major jurisdictions as of June 30, 2023.

**Use of Estimates**

The preparation of financial statements, in conformity with the generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

The Organization maintains its cash deposits in accounts at a financial institution, which may exceed the federally insured limits. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account category per financial institution. At June 30, 2023 and 2022 \$998,311 and \$1,236,877, respectively of the cash and cash equivalents are uninsured.

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

**Adopted Accounting Standards**

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASC 842”) which requires the recording of operating lease right-of-use assets and lease liabilities and the expanded disclosure for operating and finance leasing arrangements. Leases are classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. The Organization adopted Accounting Standards Codification (ASC) 842, *Leases (ASC 842)* on July 1, 2022, and elected the optional transition method to apply the transition provisions from the effective date of adoption, which requires the Organization to report the cumulative effect of the adoption of the standard on the date of adoption with no changes to the prior period balances.

**Fair Value Measurements**

Fair value measurements establish a hierarchy to prioritize the computation of fair value. Such hierarchy consist of a) - valuations based on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), b) - valuations based on observable unadjusted quoted prices for similar assets and liabilities in active markets (Level 2), and c) - valuations based on inputs that are unobservable and are supported by little or no market activity, therefore, requiring management’s best estimate of what market participants would use as fair value (Level 3). A description of the Organization’s accounting principles and basis of presentation with regards to the fair market value of its assets and liabilities follows:

*Financial Assets and Liabilities*

The Organization reflects certain financial assets and liabilities such as accounts receivable, payables, prepaid expense and deferred revenue at their carrying values in accordance with generally accepted accounting principles in the United States.

**Subsequent Events**

The Organization has evaluated subsequent events through July 22, 2024, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations. The Organization’s main source of revenue is Nursing and Therapy Revenue. Medical transport and the services provided is what funds the Organization’s operations. Additionally, the entity receives contributions without donor restrictions; the remainder of the revenue is from program income. The Organization considers grant income, contributions and other miscellaneous income for use in programs that are ongoing, major, and central to its annual operations as available to meet cash needs for general expenditures. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization obtained an SBA EIDL loan in the amount of \$149,900 for operational purposes.

The Organization’s liquidity and available resources as of June 30, 2023 and 2022, respectfully, are as follows:

Financial assets at year-end:	2023	2022
Cash and cash equivalents	\$ 1,675,629	\$ 1,729,258
Short-term investments	68,970	65,884
Accounts receivable, net	281,070	184,940
Contributions receivable	447,157	-
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(532,157)	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,940,669	\$ 1,980,082

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 4 – SHORT TERM INVESTMENTS**

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

	<u>2023</u>	<u>2022</u>
Certificate of deposit	\$ 68,970	\$ 65,884
Total	<u>\$ 68,970</u>	<u>\$ 65,884</u>

Investment income and returns are summarized as follows for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 4,605	\$ 7,412
Total	<u>\$ 4,605</u>	<u>\$ 7,412</u>

**NOTE 5 – CONTRIBUTIONS RECEIVABLE, NET**

The Organization launched a capital campaign to raise funds for the construction of a facility. The Organization's unconditional promises to give include the balances due related to the capital campaign and are scheduled to be repaid in future years as follows:

2024	\$	125,000
2025		125,000
2026		125,000
2027		<u>100,000</u>
Total contributions receivable		475,000
Less: present value discount (2.88%)		<u>(27,843)</u>
Total contributions receivable, net		447,157
Less: current portion		<u>(125,000)</u>
long-term portion	\$	<u>322,157</u>

**NOTE 6 – PROPERTY AND EQUIPMENT, NET**

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

	<u>2023</u>	<u>2022</u>
Furnitures, fixtures and equipment	\$ 284,717	\$ 265,317
Leasehold improvements	56,076	56,076
Vehicles	241,980	241,980
Land and building	419,575	419,575
Total	<u>1,002,348</u>	<u>982,948</u>
Less: Accumulated depreciation	<u>(560,997)</u>	<u>(515,032)</u>
Property and equipment, net	<u>\$ 441,351</u>	<u>\$ 467,916</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was \$45,965 and \$47,525, respectively.

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

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**NOTE 7 –OPERATING LEASES**

The Organization has several non-cancellable leases for facilities that expire in 2028.

The following summarizes the line items in the statement of financial position for operating leases as of June 30, 2023.

Operating leases:	
Operating lease right-of-use-asset	\$ 1,057,092
Operating lease liabilities, current portion	\$ 318,497
Operating lease liabilities, non-current portion	757,232
Total operating lease liabilities	<u>\$ 1,075,729</u>

The following summarizes the line items in the statement of activities for operating leases for the year ended June 30, 2023.

Operating lease expense	\$ 317,520
Total	<u>\$ 317,520</u>

Supplemental cash flow information related to leases is as follows:

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	\$ 298,884
ROU assets obtained in exchange for new operating lease liabilities	\$ 1,340,416
Weighted-average remaining lease term in years for operating leases	3.58
Weighted-average discount rate for operating leases	2.86%

Future minimum annual lease payments are as follows:

	Operating
2024	\$ 318,497
2025	325,794
2026	307,708
2027	160,056
2028	18,676
Total undiscounted cash flows	<u>1,130,731</u>
Less: present value discount	(55,002)
Total lease liabilities	<u>\$ 1,075,729</u>

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

**NOTE 8 –FAIR VALUE MEASUREMENT**

The fair value hierarchy is categorized into three levels based on the inputs as follows:

*Level 1 Inputs*—Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on readily available quoted prices in active markets.

*Level 2 Inputs*—Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

*Level 3 Inputs*—Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

Accordingly, the degree of judgment exercised by the Organization in determining fair value is greatest for any measurements categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement. The Foundation’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended June 30, 2023 and 2022, there were no transfers in or out of levels 1, 2 or 3.

Following is a description of the valuation methodologies used for investments measured at fair value.

*Cash equivalents:* Cash equivalents with an original maturity of three months or less are valued at their face amount because of the short length of time to maturity.

*U.S. Treasury notes, marketable equity securities and U.S. government agency obligations*—Valued using quoted market prices for those of similar investments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value measurements at June 30, 2023, are as follows:

Fair Value Measurements Using:

Assets (Liabilities)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$ 68,970	\$ -	\$ 68,970	\$ -
	\$ 68,970	\$ -	\$ 68,970	\$ -

**PEDIATRIC ALTERNATIVE TREATMENT, CARE, HOUSING AND EVALUATION SERVICES, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 8 –FAIR VALUE MEASUREMENT (Continued)  
Fair value measurements at June 30, 2022, are as follows:

Fair Value Measurements Using:

Description	Fair Value Measurements Using:			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificate of deposit	\$ 65,884	\$ -	\$ 65,884	\$ -
	<u>\$ 65,884</u>	<u>\$ -</u>	<u>\$ 65,884</u>	<u>\$ -</u>

NOTE 9 –CONCENTRATION OF REVENUES

The Organization provides a variety of nursing and therapy services to its patients. Each unit of service provided is billed to Medicaid at a specific rate. Revenues from nursing and therapy represent 84% and 76% of the Organization’s revenue for the years ended June 30, 2023 and 2022, respectively. Although the Organization does not expect any decrease in revenues in the future, a significant reduction in the level of this funding, if this were to occur, may have an effect on the Organization’s programs and activities.

NOTE 10 –MORTGAGE PAYABLE

On December 16, 2016, the Organization entered into a mortgage payable agreement with a Florida corporation in the amount of \$418,575 to purchase property. The mortgage bears an interest rate of 2% per annum. The interest is payable monthly, and all interest and principal is due on November 30, 2023. During the fiscal year 2022, the Florida Corporation provided a verbal extension for the note. As of June 30, 2023 and 2022 the outstanding balance on the mortgage payable was \$318,575 and \$418,575, respectively. Subsequent to year end, the entire mortgage payable balance was paid down.

NOTE 11 – NOTE PAYABLE - SBA ECONOMIC INJURY DISASTER LOAN (“EIDL”)

In 2020, the Organization issued a promissory note (the “EIDL Loan”) for \$150,000 through the Small Business Administration established under the Small Business Act and administered by the U.S. Small Business Administration (“SBA”). The EIDL Loan is collateralized by a secured interest in property owned by the Organization. The EIDL Loan was made through the SBA (the “Lender”), has a thirty-year term, bears interest at 2.75% per annum. The EIDL Loan may be prepaid at any time prior to maturity with no prepayment penalties. The outstanding balance as of June 30, 2023 and 2022, was \$148,206 and \$149,900.

Future payments of the EIDL are as follows:

2024	\$	3,361
2025		3,764
2026		3,869
2027		2,306
Thereafter		134,906
Total	\$	<u>148,206</u>

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2023 consist of the following:

Subject to Purpose - Campaign	\$	<u>532,157</u>
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During June 30, 2023 there were no net assets with donor restrictions that were released from donor restrictions.

NOTE 13 –SUBSEQUENT EVENT

Subsequent to year end, the Organization received notice of being named a beneficiary of an estate. The Organization will reflect the funds as revenues in fiscal year June 30, 2024 and the funds distributed in the amount of \$217,768 were collected in July 2024.