PERMIAN BASIN REHABILITATION CENTER

FINANCIAL STATEMENTS &
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2020
(with comparative totals for December 31, 2019)

Randy Silhan, CPA, CFE
Certified Public Accountant
Certified Fraud Examiner

PERMIAN BASIN REHABILITATION CENTER

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AICPA Not-for-Profit Section Member

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INDEPENDENT AUDITOR'S REPORT

To the Governing Body and Executive Management of the Permian Basin Rehabilitation Center:

I have audited the accompanying statements of the Permian Basin Rehabilitation Center (a nonprofit organization) (the Center) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 2020, 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.

Report on Summarized Comparative Information
I have previously audited the Center's 2019 financial statements, and I expressed an unmodified opinion on those audited financial statements in my report dated November 9, 2020. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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Other Matter – Supplemental Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental individual departmental statement of activities is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lubbock, Texas
November 10, 2021

PERMIAN BASIN REHABILITATION CENTER
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(with comparative totals for 2019)

A S S E T S

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 1,526,462	$ 985,206
Accounts receivable, net of allowance of $3,815 in 2020	54,924	69,820
Pledges receivable	-	33,268
Inventory	3,015	2,681
Prepaid expenses	38,387	32,433
TOTAL CURRENT ASSETS	1,622,788	1,123,408
ENDOWMENT INVESTMENTS		
Investments - Permian Basin Area Foundation	501,734	483,815
TOTAL ENDOWMENT ASSETS	501,734	483,815
PROPERTY & EQUIPMENT, net of accumulated depreciation	2,547,621	2,556,845
TOTAL ASSETS	$ 4,672,143	$ 4,164,068

L I A B I L I T I E S A N D N E T A S S E T S

	2020	2019
CURRENT LIABILITIES		
Accounts payable	$ 4,752	$ 5,024
Accrued expenses	62,176	45,996
TOTAL CURRENT LIABILITIES	66,928	51,020
NET ASSETS		
Without donor restrictions		
Undesignated	1,546,350	1,050,186
Invested in property and equipment	2,547,621	2,556,845
Board designated endowment	501,734	483,815
	4,595,705	4,090,846
With donor restrictions		
Purpose restrictions	9,510	22,202
TOTAL NET ASSETS	4,605,215	4,113,048
TOTAL LIABILITIES AND NET ASSETS	$ 4,672,143	$ 4,164,068

The accompanying notes are an integral part of these financial statements

PERMIAN BASIN REHABILITATION CENTER
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative totals for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020	2019
SUPPORT & REVENUE				
Program clinic fees, net of adjustments	$ 1,606,911	$ -	$ 1,606,911	$ 1,996,664
Monetary contributions	455,826	289,033	744,859	493,514
Special events - Telethon	526,682	-	526,682	624,072
Special events - Steakout	388,860	-	388,860	434,753
Gain (loss) on disposition of fixed assets	(553)	-	(553)	-
Investment income (loss) on endowment	36,165	-	36,165	92,970
Support & revenue from operations and development	3,013,891	289,033	3,302,924	3,641,973
In-kind donations - Special events	14,665	-	14,665	17,894
Paycheck Protection Program loan forgiveness	494,410	-	494,410	-
HHS Stimulus Grant	12,294	-	12,294	-
Other support and revenue	506,704	-	506,704	-
TOTAL SUPPORT & REVENUE	3,535,260	289,033	3,824,293	3,659,867
Net assets released from restrictions and other reclassifications of net assets	301,725	(301,725)	-	-
TOTAL SUPPORT, REVENUES, AND RELEASE OF RESTRICTIONS	3,836,985	(12,692)	3,824,293	3,659,867
EXPENSES				
Program services	2,419,080	-	2,419,080	2,284,968
Support services	913,046	-	913,046	1,245,834
TOTAL EXPENSES	3,332,126	-	3,332,126	3,530,802
CHANGE IN NET ASSETS	504,859	(12,692)	492,167	129,065
BEGINNING NET ASSETS	4,090,846	22,202	4,113,048	3,983,983
ENDING NET ASSETS	$ 4,595,705	$ 9,510	4,605,215	$ 4,113,048

The accompanying notes are an integral part of these financial statements

PERMIAN BASIN REHABILITATION CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative totals for 2019)

	PROGRAM	SUPPORT SERVICES			TOTALS	
	Clinic Services	General and Administrative	Fundraising	Total	2020	2019
Salaries & wages	$ 1,549,137	$ 469,082	$ 117,956	$ 587,038	$ 2,136,175	$ 2,144,964
Payroll taxes	119,978	33,670	9,873	43,543	163,521	165,327
Employee insurance benefits	141,844	52,254	10,071	62,325	204,169	203,820
Retirement benefits	45,454	19,503	3,811	23,314	68,768	78,790
Advertising	5,021	944	1,177	2,121	7,142	9,654
Conferences & meetings	2,817	7,730	-	7,730	10,547	31,172
Office expenses	38,174	9,914	18,157	28,071	66,245	57,835
Small equipment	-	3,992	-	3,992	3,992	6,498
Departmental supplies	154,098	1,083	-	1,083	155,181	177,117
Repairs & maintenance	113,572	3,409	4,629	8,038	121,610	130,144
Professional fees & services	52	9,555	-	9,555	9,607	23,803
Utilities	38,194	1,741	-	1,741	39,935	39,315
Insurance	22,857	5,725	-	5,725	28,582	42,485
Bank & credit card fees	10,215	214	596	810	11,025	14,675
Interest expense	-	2,310	-	2,310	2,310	-
Special events - Telethon	-	-	46,888	46,888	46,888	58,974
Special events - Steakout	-	-	10,720	10,720	10,720	116,842
Other fundraising costs	-	-	12,999	12,999	12,999	10,960
Dues & subscriptions	24,081	3,521	327	3,848	27,929	30,631
Total before depreciation	2,265,494	624,647	237,204	861,851	3,127,345	3,343,006
Depreciation	153,586	51,195	-	51,195	204,781	187,796
Total Functional Expenses	$ 2,419,080	$ 675,842	$ 237,204	$ 913,046	$ 3,332,126	$ 3,530,802

The accompanying notes are an integral part of these financial statements

PERMIAN BASIN REHABILITATION CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(with comparative totals for 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from clinic services	$ 1,621,807	$ 2,019,237
Cash received from fundraising and development	1,693,669	1,521,809
Cash received from other income	506,704	-
Distributions from endowment - beneficial interest held by PBAF	18,246	18,299
Cash paid for personnel costs	(2,556,453)	(2,606,059)
Cash paid for direct special event and fundraising costs	(70,607)	(186,776)
Cash paid for operating costs	(476,000)	(553,032)
NET CASH FROM OPERATING ACTIVITIES	737,366	213,478
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	3,800	-
Capital improvements and equipment purchases	(199,910)	(148,956)
NET CASH (USED) FOR INVESTING ACTIVITIES	(196,110)	(148,956)
NET CHANGE IN CASH	541,256	64,522
BEGINNING CASH BALANCE	985,206	920,684
ENDING CASH BALANCE	$ 1,526,462	$ 985,206
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES		
Change in net assets	$ 492,167	$ 129,065
Adjustments to Reconcile Change in Net Assets to Cash Net Cash Provided by Operating Activities		
Depreciation	204,781	187,796
Distributions from endowment - beneficial interest held by PBAF	18,246	18,299
Board restricted endowment investment (income) loss	(36,165)	(92,970)
(Gain) loss on disposition of fixed assets	553	-
Change in Assets and Liabilities:		
(Increase)decrease in accounts receivable	14,896	22,573
(Increase)decrease in pledges receivable	33,268	(30,530)
(Increase)decrease in inventory	(334)	4,354
(Increase)decrease in prepaid expenses	(5,954)	1,859
(Decrease)increase in accounts payable	(272)	(13,810)
(Decrease)increase in accrued expenses	16,180	(13,158)
Total adjustments	245,199	84,413
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 737,366	$ 213,478

The accompanying notes are an integral part of these financial statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Permian Basin Rehabilitation Center was organized in the state of Texas as a nonprofit corporation in 1969. The Center was an affiliate of Easter Seals until May 2008, when the board of directors elected to withdraw the Center's affiliation. The Center provides services to help persons with disabilities to reach their maximum capabilities and secure opportunities for their education, training, and employment. The Center's programs are supported primarily from contributions from the general public, and service fees for speech therapy, physical therapy, occupational therapy, audiology therapy and hearing aid sales.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting consistent with U.S. generally accepted accounting principles applicable to voluntary health and welfare organizations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Center has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2020. The Center's Forms 990, Return of Organization Exempt from Income Tax, are subject to examination by the IRS, generally for three years after filing. No IRS examinations took place in 2020 and none are ongoing as of the date of this report.

Cash & Cash Equivalents

For purposes of the statement of cash flows, the Center considers all cash in demand accounts, certificates of deposits, and highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivables are recorded at net realizable value consisting of the carrying amount less the allowance for uncollectible accounts, as needed. The Center records accounts receivable for therapy services rendered and billed that are unpaid at the end of each month. In fulfilling the Center's mission, management evaluates the patients' abilities to pay for services based on their financial status. The Center then bills the appropriate source, such as Medicaid, Medicare, private insurance companies, or self-pay patients. Patients are asked to pay any amount that is affordable, and those who are unable to pay receive services at no charge as part of the Center's sponsorship program. Accounts that are pursued, but not collected are charged as bad debts, but these are minimal. Management also records insurance adjustments based on private insurance companies covered charges. Uncollectible accounts are estimated based on the Center's collection policy, past experience, and the length of time the account has been outstanding.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

The Center receives promises to give (pledges) from donors periodically. These are recorded when the pledge is made and an allowance for uncollectible pledges is estimated based on collection experience and other economic factors.

Inventory

Inventory is recorded at the lower of cost or market, using the first-in, first-out method. Inventory consists of hearing aids.

Investments

In accordance with FASB ASC 958, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. investments consist of a beneficial interest in assets held in an endowment fund by the Permian Basin Area Foundation (PBAF). Net investment income (loss) consists of realized and unrealized gains and losses, interest, dividends, net of fees. Purchases and sales are recorded on a trade date basis. Dividends are recorded on the ex-dividend date. Interest income is recorded as earned on the accrual basis.

Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Beneficial Interest in Assets Held by Community Foundation

The Center established an endowment fund with the Permian Basin Area Foundation (PBAF). Variance power is granted to the PBAF by the Center through a written agreement. Variance power allows the PBAF to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the PBAF's Board of Governors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. There is a termination provision whereby all the funds can be distributed to the Center provided there is mutual consent with the PBAF. The fund is held and invested by the PBAF for the Center's benefit and is reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities and cash flows.

Property and Equipment

Property and equipment is recorded at cost for purchased property and fair market value at the date of acquisition for donated property. Property and equipment purchases of $1,000 or more are depreciated using the straight-line method over the asset's estimated useful lives that range from 3 to 39 years. The cost of repairs and maintenance is charged to expense as incurred. The Center reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended December 31, 2020.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Personal time-off (PTO) hours are accrued during the year by employees based on their length of service to the Center. PTO is payable upon separation in good standing based on length of service and time of the year in which separation occurs. This amount is included in the accrued expenses balance in the statement of financial position.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, board-designated endowments.

Net Assets with Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Program Clinic Fees

On January 1, 2019, the Center adopted ASU No. 2014-09, "Revenue from Contracts with Customers," which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP following the modified retrospective method of application for the adoption of the guidance to all contracts existing on January 1, 2019, resulting in no impact to the Center's existing revenue streams. At the adoption the majority of what was previously classified as the provision for bad debts is reflected as an implicit price concession (as defined in ASU No. 2014-09) and, therefore, is included as a reduction to net program clinic fees in the accompanying statement of activities and supplemental information. The Center uses a portfolio approach to apply the new model to classes of payors with similar characteristics and analyzes cash collection trends over an appropriate collection look-back period depending on the payor. Program clinic fees are recognized as earned and reported at the estimated net realizable amounts for services rendered. Revenue under third-party payer settlements (Medicare, Medicaid, and private insurance) is subject to audit and retroactive adjustment. Provisions for estimated third-party payer settlements are provided in the period the related services are rendered. Differences between the estimated amounts accrued with interim and final settlements are reported in operations in the year of settlement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Clinic Fees - continued
Gross charges are retail charges and generally do not reflect what the Center is ultimately paid and, therefore, are not displayed in the financial statements. The Center is typically paid amounts that are negotiated with insurance companies or are set by the government. Gross charges are used to calculate Medicare and Medicaid outlier payments and to determine certain elements of payment under managed care contracts (such as stop-loss payments). Because Medicare requires that gross charges be the same for all patients (regardless of payer category), gross charges are what is charged to all patients prior to the application of discounts and allowances.

The Center recognizes net operating revenue in the period in which it satisfies the performance obligations under contracts by transferring the services to its patients. The performance obligations for patient contracts are generally completed when the patients no longer need care, which generally occurs within days or weeks of the end of the reporting period. As provided for under the guidance, the Center does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. Net operating revenues are recognized in the amounts to which it expects to be entitled, which are the transaction prices allocated to the services.

The Center has agreements with governmental and other third-party payors that provide for payments to the Center at amounts different from established charges. Payment arrangements for major third-party payors may be based on prospectively determined rates, reimbursed cost, discounted charges, per diem payments, or other methods. The transaction price is determined based on gross charges for services provided, reduced by explicit price concessions provided to third-party payers, and implicit price concessions provided primarily to uninsured patients. The estimates of explicit price concessions and discounts are based on contractual agreements, discount policies, and historical experience. The estimates of implicit price concessions are based on historical collection experience with these classes of patients using the portfolio approach. Capitation revenues are received and recognized as revenue ratably over the period for which the enrolled member is entitled to healthcare services. The timing of the performance may differ from the timing of the payment received, which may result in the recognition of a contract asset or a contract liability. The Center has no material contract assets or liabilities as of December 31, 2020.

Sponsorship Program
The Center has a policy of providing charity care to patients who are unable to pay for therapy services. The Center refers to this as their sponsorship program. Patients are evaluated based on their financial status and subsequent analysis of that information. These unpaid accounts are considered program services rendered to the general public as part of the Center’s mission. Since costs cannot be specifically attributed to these services, management estimates these costs to be those equivalent to uncompensated charges associated with providing therapy services to these patients. Since the Center does not expect payment for these services, they do not qualify to be recognized as revenue in the financial statements. But for informational purposes, the amounts are presented in the gross charges for patient services fees and as a separate adjustment. The net result has no effect on the statement of activities. Sponsorship program services charged for 2020 totaled $296,610.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sponsorship Program - continued

Funds used to support the sponsorship program are provided by the Center from development income and fundraising events such as the Telethon and Steak-Out. Development and special events, net of direct costs totaled $1,602,793 in 2020.

Support and Contribution Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Revenue is recognized when earned.

Special events revenue may include an exchange element based upon the direct benefits donors receive and a contribution element for the difference. Special events revenue is recognized equal to the fair value of direct benefits to donors when the special event takes place. The contribution element of special event revenue is recognized immediately, unless there is a right of return if the special event does not take place.

Donated Services, Materials, and Facilities

The Center receives significant amounts of in-kind contributions from donors who provide services and materials for fund raising projects such as the Telethon and Steak-Out. In order to meet the criteria for recognition under FASB ASC 958, a donor must provide the fair market value of such services and materials in order to meet the criteria for recognition in the financial statements. In-kind contributions totaled $14,665 in 2020.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Financial Instruments, Credit Risk and Market Risk

Credit risk: The Center’s cash balances in financial institutions at times may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Market value risk: The Center has significant endowment assets held in a beneficial interest account managed by the Permian Basin Area Foundation. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements. The Center endowment investments are managed by the Foundation whose independent professional managers performance is reviewed by the board of directors on a regular basis.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Totals
The financial statements include summarized comparative information from the prior year, which is not presented by net asset class and does not include sufficient detail to conform to generally accepted accounting principles. This information should be read in conjunction with the Center's 2019 financial statements from which the comparative information was derived.

Recent Accounting Guidance
In February 2016, the FASB issued an accounting standard update (ASU 2016-02), intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate and equipment. The ASU will require organizations that lease assets—referred to as "lessees"—to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The amendments in this Update are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

In September 2020, the FASB issued an accounting standard update (ASU 2020-07), requiring entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets an entity has received. The new standard is effective for fiscal years beginning after June 15, 2021. Early adoption is permitted.

The Center is currently evaluating these Updates and does not expect a material impact on their financial statements.

COVID-19
The COVID-19 outbreak in the United States caused disruption through mandated and voluntary closings of multiple businesses and nonprofit organizations. Businesses and organizations have reopened and COVID cases declined early in 2021 until recently due to a resurgence from virus variants and the unvaccinated. Caution and uncertainty continue to exist, and future financial impact and duration cannot be reasonably estimated. The Center continues to follow federal and state health and safety guidelines. A significant increase of government programs and grants were made available in 2020. These included but are not limited to the CARES Act along with continued and increased support from existing federal, state, and local government grants and the community. The impact on the Center is summarized as follows:

Fundraisers-The 2020 Telethon was concluded prior to the major outbreak of COVID 19 and was a successful event. The 2021 Telethon was also a success, resulting a net income of approximately $518,000. The 2020 Steakout normally scheduled for the fall has been canceled. The 2021 Steakout realized a net income of approximately $253,000.

Donations-Donations for 2020 were down because of COVID-19, the local economy and loss of jobs that many people experienced.

Grants-The local foundations have been very generous and supportive, trying to make up for the decline of donations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

COVID-19 - continued
2022 Budget- The 2022 budget is in process,

PPP Loans – The Center applied and received the Paycheck Protection Program loan in the amount of $494,410, bearing interest of 1%. The loan was forgiven November 2, 2020 and recognized as loan forgiveness income in other support and revenue in the accompanying financial statements. The Center applied and received a second PPP Loan in January 2021 totaling $444,495. This loan was forgiven in August 2021.

Subsequent Events
Management has evaluated subsequent events through November 10, 2021, the date which the financial statements were available to be issued. Other than COVID-19, no significant subsequent events have occurred that would require disclosure in the notes or recognition in the financial statements.

NOTE 2: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents without donor restrictions	$1,516,952
Accounts receivable	54,924
Endowment distributions available	17,840
	$1,589,716

Although the Center does not intend to spend from the board-designated endowment, it may be used for general operations. The balance of the endowment is subject to an annual spending rate established under the management agreement with the Permian Basin Area Foundation explained in Note 3.

As part of the Center's liquidity management plan, cash in excess of budget requirements may be invested in money market and savings accounts.

NOTE 3: BOARD DESIGNATED ENDOWMENT

In 2005, the board of directors established an endowment fund with an initial contribution of $252,053 with the Permian Basin Area Foundation with the intent to maintain in perpetuity to provide resources for the Center to provide quality patient therapy services. Variance power is granted to the PBAF as explained in the Summary of Significant Accounting Policies.

Since the endowment was established by the board of directors, it is classified as net assets without donor restrictions. The endowment permits contributions with or without donor restrictions. Investment earnings available for distribution are without restriction. The endowment has not received any net assets with donor restrictions since inception. The board's intent is to maintain the endowment in perpetuity.

NOTE 3: BOARD DESIGNATED ENDOWMENT (Continued)

Although the board of directors has made no official interpretation of the State Prudent Management of Institutional Funds Act (SPMIFA), the Center substantially follows the major provisions of the Act such as requiring the preservation of the fair value of the original gift as of the gift date of any donor-restricted endowment funds absent explicit donor stipulations to the contrary. For 2020, there were no such donor stipulations. As a result of this interpretation, the Center would retain in perpetuity: (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund (2) The purposes of the Center and the donor-restricted endowment fund (3) General economic conditions (4) The possible effect of inflation and deflation (5) The expected total return from income and the appreciation of investments (6) Other resources of the Center (7) The investment policies of the Center.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted SPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

The Center's endowment is a beneficial interest in assets held by the PBAF whereby the PBAF receives, accepts, administers, invests, and distributes the assets of the fund for the benefit of the Center. The Center is eligible to receive annual distributions of 4% of the market value as determined by the agreement. Excess earnings are reinvested into the fund. The agreement may be terminated by either the Center or the PBAF with 120 days written notice. The Permian Basin Area Foundation is a community foundation that facilitates the creation of permanent charitable funds, in partnership with many donors. The PBAF qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Assets in the permanent funds of Permian Basin Area Foundation are invested with long-term objectives of corpus protection and value growth employing proven professional investment managers and diligent performance monitoring.

The PBAF's investment strategy embraces a defined asset allocation model and disciplined re-balancing to maintain actual values within the allocation policy. The diversified portfolio includes positions in large cap, mid-cap, small cap, and international equities, equities, as well as fixed income securities. The PBAF's investment committee governs policy and monitors investment management and performance relative to standard benchmarks and peer group comparisons. The Center's endowment fund increased in 2020 from investment earnings and market appreciation.

The board of directors does not factor the earnings from the endowment assets as part of their operating budget annually. Any specific purchases to be made from these earnings are approved by the board at their discretion. The Center is eligible to receive annual distributions of 4% of the fund's balance at the close of the third quarter of each year to be effective for the subsequent year. Distributions received in 2020 totaled $18,246. Funds available for distribution as of year-end totaled $17,840.

NOTE 3: BOARD DESIGNATED ENDOWMENT (Continued)

December 31, 2020

Beneficial Interest in Assets Held	Fair Value	(Level 3)
Permian Basin Area Foundation	$ 501,734	$ 501,734

December 31, 2019

Beneficial Interest in Assets Held	Fair Value	(Level 3)
Permian Basin Area Foundation	$ 483,815	$ 483,815

Endowment net asset composition is as follows as of December 31:

Board-designated	Without Donor Restrictions	With Donor Restrictions	2020
Permian Basin Area Foundation	$ 501,734	$ -	$ 501,734

Board-designated	Without Donor Restrictions	With Donor Restrictions	2019
Permian Basin Area Foundation	$ 483,815	$ -	$ 483,815

NOTE 4: FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature (FASB ASC 820) establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Center uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Level 1 or Level 2 inputs generally provide the most reliable evidence of fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were unavailable. There were no transfers between levels in 2020.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 4: FAIR VALUE MEASUREMENTS (Continued)

The fair value of assets measured on a recurring basis are as follows as of December 31:

December 31, 2020

Beneficial Interest in Assets Held	Fair Value	(Level 3)
Permian Basin Area Foundation	$ 501,734	$ 501,734

December 31, 2019

Beneficial Interest in Assets Held	Fair Value	(Level 3)
Permian Basin Area Foundation	$ 483,815	$ 483,815

The beneficial interest in assets held in the endowment by PBAF are invested in a diversified portfolio of marketable equity and fixed income securities. A substantial portion of the underlying assets at the PBAF are measured at fair value using level 1 and 2 inputs. The Center's ownership in such investments is represented by an undivided interest in the portfolios managed by the PBAF. Since the Center's interest itself is not a publicly traded investment, it is valued as a level 3 input as defined by FASB ASC 820.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2020:

Land	$ 282,056
Buildings, improvements, construction in progress	3,176,521
Furniture, fixtures, and equipment	319,504
	3,778,081
Less: accumulated depreciation	(1,230,460)
Net property and equipment	$ 2,547,621

Depreciation expense totaled $204,781 in 2020.

NOTE 6: LINE OF CREDIT

The Center established a $1,500,000 revolving line of credit with a local bank May 29, 2020 secured by real estate (building owned by the Center). Borrowings bear interest at a fixed rate of 4.25%. Accrued interest and principal are due at maturity (May 29, 2022). The agreement requires the Center to comply with certain financial and non-financial covenants. No borrowings were drawn in 2020.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Contributions with donor restrictions consist of donations and grants received for therapy equipment and services, building renovations, and the outdoor therapy center. The balance of $9,510 as of December 31, 2020 consists of unspent funds for art and history sculptures of the Center.

NOTE 8: MEDICARE AND MEDICAID

The Center has agreements with third-party payors that provide for reimbursement at amounts different from their established rates. Since the Center receives government payments from Medicaid and Medicare for program clinic services, it is required to comply with specific terms and agreements, as well as applicable federal and state laws and regulations. In the opinion of management, the Center has complied with all requirements, including the Affordable Care Act. Final settlement of amounts received from the Medicare and Medicaid programs is subject to audit and retroactive adjustment by the respective fiscal intermediaries. Management does not anticipate any significant disallowances or abnormal adjustments. A summary of the reimbursement methodologies with major third-party payors is as follows:

Medicare
The Center is paid for therapy services rendered to Medicare program beneficiaries under prospectively determined rates. These rates vary according to patient classification systems that are based on medical, diagnostic, and other factors.

Medicaid
The Center is paid for hospice services rendered to Medicaid program beneficiaries under prospectively determined rates per discharge. For hospice services, payment rates are based on level of care needs of the patient as determined by medical, diagnostic, and other factors. Medicaid reimbursement methodologies may be subject to periodic adjustment, as well as to changes in existing payment levels and rates, based on the amount of funding available in the State of Texas Medicaid program and any such changes could have a significant effect on the Center s revenue.

Other insurance providers
The Center has also entered into payment agreements with certain insurance carriers. The basis for payment under these agreements is negotiated by the Center and includes prospectively determined rates, discounts from established charges, and prospectively determined per diem rates.

Medicare and Medicaid, net of adjustments, together accounted for approximately 21% of the Center's total support and revenue in 2020. The Center believes that the loss of the either of these two payers would have an adverse effect on its ability to provide therapy services to its patients.

NOTE 9: PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Center received loan proceeds of $492,100 under the Paycheck Protection Program ("PPP"). The PPP provides for loans to qualifying businesses and organizations in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (18 or 24 weeks), if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 6 months after then end of the covered period. Original terms of the loan called for the Center to repay any remaining principal balance plus interest accrued at 1% per annum in monthly payments beginning December 2020 until the maturity date in April 2022. The Center used loan proceeds for purposes consistent with the program and applied to the SBA for loan forgiveness. The loan was forgiven in full on November 2, 2020 at which time the Center recognized loan forgiveness totaling $494,410 in their financial statements.

NOTE 10: EMPLOYEE INSURANCE BENEFITS

During 2020, employees of the Center were covered by a qualified health insurance plan in compliance with the Affordable Care Act. Employees, at their option, may authorize payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers. Employer costs totaled $204,169 for employee medical, life, and disability insurance in 2020.

NOTE 11: EMPLOYEE BENEFIT PLANS

Effective January 1, 2016, adopted a 401(k) plan for all eligible employees. The Center contributes 5% of eligible salaries to the plan. Employer contributions to the plan totaled $68,768 for 2020. The Center also provides a flexible benefit plan for pre-tax benefits under Code Section 125 of the Internal Revenue Code. Employees who have completed 90 days of employment are eligible.

NOTE 12: RELATED PARTY TRANSACTIONS

The Center periodically conducts ordinary business with volunteers and board members. Management asserts that these transactions were consummated on terms equivalent to those in an arms-length transaction. There were no outstanding receivable or payable balances involving related parties as of December 31, 2020.

SUPPLEMENTAL INFORMATION

PERMIAN BASIN REHABILITATION CENTER
STATEMENT OF ACTIVITIES BY DEPARTMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

	Speech Therapy	Occupational Therapy	Physical Therapy	Audiology	Total Clinic Services
Patient service fees*	$ 1,108,928	$ 294,713	$ 745,968	$ 374,911	$ 2,524,520
less: contractual adjustments	(224,276)	(73,050)	(264,899)	(58,774)	(620,999)
less: sponsorship program*	(116,158)	(42,961)	(111,424)	(26,067)	(296,610)
Net revenue	768,494	178,702	369,645	290,070	1,606,911
Direct clinic expenses:					
Salaries & wages	633,680	240,530	546,833	128,094	1,549,137
Payroll taxes	48,182	18,475	42,946	10,375	119,978
Employee insurance benefits	46,744	25,107	56,145	13,848	141,844
Retirement benefits	11,084	8,479	19,774	6,117	45,454
Advertising	4,371	-	-	650	5,021
Professional fees	52	-	-	-	52
Conferences & meetings	144	-	2,005	668	2,817
Office expenses	10,494	9,952	9,962	7,766	38,174
Departmental supplies	6,512	2,415	8,039	137,132	154,098
Repairs & maintenance	31,071	29,801	29,646	23,054	113,572
Utilities	9,559	9,565	9,573	9,497	38,194
Insurance	5,715	5,714	5,714	5,714	22,857
Bank & credit card fees	2,495	2,494	2,311	2,915	10,215
Dues & subscriptions	6,040	5,765	7,787	4,489	24,081
Total expenses	816,143	358,297	740,735	350,319	2,265,494
Total change in net assets	$ (47,649)	$ (179,595)	$ (371,090)	$ (60,249)	$ (658,583)

* Sponsorship program charges are presented for informational purposes as they are not recognized as revenue in the financial statements. The amounts are included in the gross charges and adjustments by department for the board and management's use. These charges and adjustments have no effect on the actual financial results of the clinic departments. See Note 1 for further explanation.