



**Gary McGee & Co. LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

## **Neurotherapeutic Pediatric Therapies, Inc.**

Financial Statements and Other Information  
as of and for the Year Ended December 31, 2016  
and Report of Independent Accountants

NEUROTHERAPEUTIC PEDIATRIC THERAPIES

**TABLE OF CONTENTS**

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	<b>Page</b>
<b>Report of Independent Accountants</b>	3
<b>Financial Statements:</b>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8
<b>Other Information:</b>	
Governing Board and Management	14
Inquiries and Other Information	15

## REPORT OF INDEPENDENT ACCOUNTANTS

*The Board of Directors  
Neurotherapeutic Pediatric Therapies, Inc.:*

We have audited the accompanying financial statements of Neurotherapeutic Pediatric Therapies, Inc., which comprise the statement of financial position as of December 31, 2016, 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neurotherapeutic Pediatric Therapies, Inc. as of December 31, 2016, 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.



July 20, 2017

## NEUROTHERAPEUTIC PEDIATRIC THERAPIES

**STATEMENT OF FINANCIAL POSITION**

DECEMBER 31, 2016

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<b>Assets:</b>	
Cash and cash equivalents	\$ 436,543
Accounts receivable ( <i>note 4</i> )	165,507
Prepaid expenses	25,586
Property and equipment ( <i>note 5</i> )	165,754
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Total assets	\$ 793,390
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<b>Liabilities:</b>	
Accounts payable and accrued expenses	32,425
Construction payable	87,488
Accrued payroll and related expenses	124,890
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Total liabilities	244,803
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<b>Unrestricted net assets:</b>	
Available for programs and general operations	297,859
Board-designated ( <i>note 7</i> )	84,974
Net investment in capital assets	165,754
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Total unrestricted net assets	548,587
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Commitments and contingencies ( <i>notes 6, 11, and 13</i> )	
Total liabilities and net assets	\$ 793,390

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See accompanying notes to financial statements.

NEUROTHERAPEUTIC PEDIATRIC THERAPIES

**STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily restricted	Total
<b>Revenues, gains, and other support:</b>			
Medical billing ( <i>note 8</i> )	\$ 2,302,294	–	2,302,294
Grants and contributions	2,393	25,650	28,043
In-kind contributions	9,837	–	9,837
Special events, less direct costs of \$20,183	–	17,708	17,708
Other income	8,446	–	8,446
Total revenues and gains	2,322,970	43,358	2,366,328
Net assets released from restrictions ( <i>note 9</i> )	43,358	(43,358)	–
Total revenues, gains, and other support	2,366,328	–	2,366,328
<b>Expenses (<i>note 10</i>):</b>			
Program services	1,971,596	–	1,971,596
Management and general	181,094	–	181,094
Fundraising	60,563	–	60,563
Total expenses	2,213,253	–	2,213,253
Increase in net assets	153,075	–	153,075
Net assets at beginning of year	395,512	–	395,512
Net assets at end of year	\$ 548,587	–	548,587

See accompanying notes to financial statements.

NEUROTHERAPEUTIC PEDIATRIC THERAPIES

**STATEMENT OF FUNCTIONAL EXPENSES**

YEAR ENDED DECEMBER 31, 2016

	<b>Program services</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total</b>
Salaries and related costs	\$ 1,555,652	128,351	53,284	1,737,287
Professional services	23,663	1,650	—	25,313
Occupancy	258,819	15,760	1,576	276,155
Therapy and office supplies	44,594	14,898	1,490	60,982
Insurance	17,929	4,597	460	22,986
Equipment repairs and maintenance	17,655	4,527	453	22,635
Bank service fees	8,490	—	—	8,490
Travel and meetings	9,674	3,033	3,033	15,740
Training and development	9,145	—	—	9,145
Depreciation and amortization	10,394	2,665	267	13,326
Other	15,581	5,613	—	21,194
<b>Total expenses</b>	<b>\$ 1,971,596</b>	<b>181,094</b>	<b>60,563</b>	<b>2,213,253</b>

See accompanying notes to financial statements.

NEUROTHERAPEUTIC PEDIATRIC THERAPIES

**STATEMENT OF CASH FLOWS**

YEAR ENDED DECEMBER 31, 2016

<b>Cash flows from operating activities:</b>	
Cash received from medical billings	\$ 2,315,183
Cash received from grantors and contributors	57,634
Cash received from other sources	8,446
Cash paid to employees, suppliers, and others	(2,209,272)
Net cash provided by operating activities	171,991
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	(37,291)
Net cash used in financing activities	(37,291)
<b>Cash flows from financing activities:</b>	
Proceeds from contributions restricted for capital purchases	8,300
Net cash provided by financing activities	8,300
Net increase in cash and equivalents	143,000
Cash and equivalents at beginning of year	293,543
Cash and equivalents at end of year	\$ 436,543

See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

YEAR ENDED DECEMBER 31, 2016

**1. Organization**

Combining professional, cutting-edge therapies with a compassionate, family-centered focus, Neurotherapeutic Pediatric Therapies, Inc. provides physical and developmental therapies to special needs children as well as education to families, educators and other professionals who interact with special needs children. To fulfil a greater mission of providing superlative therapy and care for all kids, regardless of their economic circumstances, the organization was restructured into a nonprofit organization in 2007, but has served the community for over 30 years. Neurotherapeutic Pediatric Therapies now extends specialized therapy to over 500 families every week in six clinics throughout the greater Portland area and southern Oregon.

Where insurance coverage for specialty services is inadequate, and where other physical and occupational therapy clinics are not oriented toward children and families, Neurotherapeutic Pediatric Therapies steps in to fill those gaps with a refreshing methodology. Every child is unique. Moreover, development is continual – not just during therapy appointments. That’s why Neurotherapeutic Pediatric Therapies passionately strives to address each child’s individual needs by developing a personalized treatment plan that includes an individualized home program for every family. Partnering with the whole family is central to helping a child know lasting and meaningful benefits, so that child can *thrive*.

Seeing every child’s unique potential to grow and excel with the right plan, and by including their family and loved ones in the journey, drives this organization’s dedication and approach. At Neurotherapeutic Pediatric Therapies, compassion and hope go hand-in-hand with professional therapies and comprehensive development.

**2. Program Services**

During the year ended December 31, 2016, Neurotherapeutic Pediatric Therapies incurred program service expenses in the following major categories:

**Pediatric Occupational Therapy** – Pediatric Occupational Therapy services focused on fine motor control and sensory integration for kids with childhood disabilities, autism, developmental delays and problems with sensory integration.

**Pediatric Physical Therapy** – Pediatric Physical Therapy services focused on gross motor control and sensory integrations for kids with childhood disabilities, developmental delays, sports injuries and diagnoses such as cerebral palsy.

**Mental Health Therapy** – Mental Health services are provided for all individuals, with a focus on children and their families with special needs. Therapy is focused on parenting children with special needs and on growing up with a special need. We provide therapy around trauma, adoption, attachment, anxiety, and other challenges for all ages.

**3. Summary of Significant Accounting Policies**

The significant accounting policies followed by the organization are described below to enhance the usefulness of the financial statements to the reader.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.



**Basis of Presentation** – Neurotherapeutic Pediatric Therapies has adopted the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) No. 958-605, *Revenue Recognition*, and FASB ASC No. 958-205, *Presentation of Financial Statements*. Under these provisions, net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the organization and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of Neurotherapeutic Pediatric Therapies and/or the passage of time. These balances represent the unexpended portion of externally restricted contributions to be used for specific programs and activities.

Neurotherapeutic Pediatric Therapies did not hold any temporarily restricted net assets at December 31, 2016.

Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Use of Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In the opinion of the organization’s management, such differences, if any, would not be significant.

**Cash Equivalents** – For purposes of the financial statements, Neurotherapeutic Pediatric Therapies considers all liquid investments having initial maturities of three months or less to be cash equivalents.

**Capital Assets and Depreciation** – Property and equipment are carried at cost, and initially measured at fair value when acquired by gift. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the respective assets, which generally range from 5 to 7 years for furniture and equipment. Leasehold improvements are amortized over the shorter of the economic life of the asset or the length of the lease.

**Contributions** – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Contributions of capital assets without donor stipulations concerning the use of such long-lived assets are reported as revenues of the unrestricted net asset class. Contributions of cash or other assets to be used to acquire capital assets with such donor stipulations are reported as revenues of the temporarily restricted net asset class; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

**In-Kind Contributions** – A number of unpaid volunteers have made significant contributions of their time to develop and implement Neurotherapeutic Pediatric Therapies’ programs. In accordance with FASB ASC No. 958-605, significant services received which create or enhance a nonfinancial asset or require specialized skills that the organization would have purchased if not donated are recognized in the statement of activities.

In-kind contributions of equipment and other materials are recorded where there is an objective basis upon which to value these contributions and where the contributions are an essential part of the organization's activities.

During the year end December 31, 2016, the following in-kind contributions were recorded:

Capital assets	\$	8,112
Professional services		1,000
Materials and supplies		725
	\$	9,837

**Benefits Provided to Donors at Special Events –**

The organization conducts special fundraising events in which a portion of the gross proceeds paid by the participants represents payment for the direct cost of the benefits received by participants at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the organization.

**Revenue Recognition –** All contributions and grants are considered available for the unrestricted general operations of Neurotherapeutic Pediatric Therapies unless specifically restricted by a donor. Service revenues are recognized at the time the services are delivered and the revenues are shown net of contractual adjustments and financial assistance.

**Advertising Expenses –** Advertising costs are charged to expense as they are incurred. During the year ended December 31, 2016, Neurotherapeutic Pediatric Therapies incurred \$2,254 in advertising and marketing expenses.

**Concentrations of Credit Risk –** The organization's financial instruments consist primarily of cash equivalents, which may subject the organization to concentrations of credit risk as, from time to time, for example, cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation ("FDIC").

All checking and savings accounts, money market deposit accounts, and certificates of deposit are insured by the FDIC for up to \$250,000 for each depositor, for each insured bank, for each account ownership category.

Certain receivables may also, from time to time, subject the organization to concentrations of credit risk. To minimize its exposure to significant losses from customer or donor insolvencies, the organization's management evaluates the financial condition of its customers and donors, and monitors concentrations of credit risk arising from similar geographic regions, activities, or economic characteristics. When necessary, receivables are reported net of an allowance for uncollectible accounts.

**Subsequent Events –** As required by FASB ASC No. 855-10, *Subsequent Events*, subsequent events have been evaluated by management through July 20, 2017, which is the date the financial statements were available to be issued.

**Income Taxes –** Neurotherapeutic Pediatric Therapies is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and derives its public charity status as an organization described in Section 509(a)(2) of the Internal Revenue Code.

**Other Significant Accounting Policies –** Other significant accounting policies are set forth in the financial statements and the following notes.

#### 4. Accounts Receivable

At December 31, 2016, the organization reported outstanding accounts receivable, as follows:

Accounts receivable	\$ 256,864
Less provision for contractual adjustment	(91,357)
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	\$ 165,507

#### 5. Property and Equipment

A summary of property and equipment at December 31, 2016, is as follows:

Furniture and equipment	\$ 51,676
Therapy equipment	70,051
Leasehold improvements	120,155
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	241,882
Less accumulated depreciation and amortization	(76,128)
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	\$ 165,754

#### 6. Line of Credit

Neurotherapeutic Pediatric Therapies maintains an unsecured revolving line of credit in the amount of \$26,000. The interest rate on the line is the bank's prime rate plus 3.5% (totaling 7.25% at December 31, 2016). No balance was outstanding at December 31, 2016 under this arrangement. Subsequent to year-end, the organization has cancelled this line of credit.

#### 7. Board-Designated Net Assets

At December 31, 2016, the organization's Board of Directors had designated \$84,974 of unrestricted net assets to fund scholarships for services to children in need of financial assistance.

#### 8. Medical Billing Revenues

During the year ended December 31, 2016, Neurotherapeutic Pediatric Therapies received fees for services provided under contracts with private insurance companies, as well as not-for-profit and governmental entities funded primarily with Federal Medicaid dollars, as follows:

Private insurance and client fees	\$ 1,710,924
Medicaid funded entities	591,370
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	\$ 2,302,294

The above fees are reflected net of contractual adjustments, that is, the difference between established rates and expected third-party insurance payments. Due to regulations and payment practices, the organization is not paid for all of the services that it delivers and for which it issues invoices. The organization also provides services under government funded programs (e.g. Medicaid) for financially needy patients, for which the payments received were less than the cost of providing the services. The unpaid costs attributable to providing services under these government funded programs, which are considered a community benefit, were estimated to be \$166,243 for 2016.

The above fees are also net of financial assistance that the organization provides to special needs children. In keeping with its mission and fundamental belief that all kids, regardless of their economic circumstances, should receive the superlative therapy they need, the organization awards financial assistance. This assistance is given to children who are uninsured or not covered by a governmentally funded program, and who demonstrate financial hardship. The organization awarded financial assistance totaling \$71,982 in 2016. Of this amount, \$19,058 was funded by restricted grants and contributions.

## 9. Net Assets Released from Restrictions

During the year ended December 31, 2016, the organization incurred \$43,358 in expenses in satisfaction of the restricted purposes specified by donors, or satisfied the restrictions by the occurrence of other events. Accordingly, during the year, a corresponding amount has been reported as a reclassification from temporarily restricted net assets to unrestricted net assets in the accompanying statement of activities, and is described in the following table:

For operating purposes	\$	35,058
For capital purposes		8,300
	\$	43,358

## 10. Expenses

The costs of providing the various programs and other activities of Neurotherapeutic Pediatric Therapies 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.

Expenses by natural classification are presented in the statement of functional expenses.

## 11. Operating Lease Commitments

Neurotherapeutic Pediatric Therapies leases its office space, clinics, and certain office equipment under noncancelable operating lease agreements that expire in various years through May of 2023. Also see note 12.

At December 31, 2016, the organization's approximate minimum rental lease commitments are as follows:

<i>Years ending December 31,</i>	
2017	\$ 262,813
2018	247,895
2019	253,873
2020	234,780
2021	203,847
Thereafter	170,528
	\$ 1,373,736

Rental expenses associated with these leases totaled \$215,147 for the year ended December 31, 2016.

## 12. Related-Party Transactions

Three of the leases described above are leases of property owned by the Board President and the Executive Director. During the year ended December 31, 2016, Neurotherapeutic Pediatric Therapies paid a total of \$143,040 to the related parties under these arrangements.

### 13. Retirement Plan

Neurotherapeutic Pediatric Therapies provides all employees with a Savings Incentive Match Plan for Employees Individual Retirement Account (SIMPLE IRA), in accordance with section 408(p) of the Internal Revenue Code. Employees make contributions to the plan on a voluntary basis up to the limits allowed by law. The organization makes a non-elective contribution equal to 100% of the first 3% of each employee's contribution to the plan. The organization's contributions to the plan totaled \$33,008 for the year ended December 31, 2016.

### 14. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	\$ 153,075
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<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>	
Depreciation and amortization	13,326
Contributions restricted for capital purchases	(8,300)
In-kind donation of capital assets	(8,112)
<i>Net changes in:</i>	
Accounts receivable	12,889
Prepaid expenses	(13,814)
Accounts payable and accrued expenses	15,780
Accrued payroll and related expenses	7,147
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Total adjustments	18,916
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Net cash provided by operating activities	\$ 171,991
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**GOVERNING BOARD AND MANAGEMENT**

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**Board of Directors**

Brent Brelje, *President*

Karen Brelje, *Secretary*

Dusty Calcagno

Barbara Ellis

Sally Henry

Steve Locke

Randal Nixon

Jaime Race

**Management**

Karen Brelje, *Executive Director*

Noralee Lane, *Clinic Director*

Tania Palmer, *Financial Director*

**INQUIRIES AND OTHER INFORMATION**

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NEUROTHERAPEUTIC PEDIATRIC THERAPIES

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