

ABILITY360 AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND SINGLE AUDIT REPORTS
YEARS ENDED JUNE 30, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ability360 and Subsidiary
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ability360 and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ability360 and Subsidiary as of June 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of Ability360 and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ability360 and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ability360 and Subsidiary's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 12, 2020

ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 14,330,204	\$ 9,361,513
Designated Cash	88,944	3,818
Certificates of Deposit	7,072,184	8,022,269
Accounts Receivable, Net	6,880,251	7,253,083
Interest Receivable	135,485	103,721
Prepaid Expenses and Other Assets	162,846	130,433
Total Current Assets	<u>28,669,914</u>	<u>24,874,837</u>
INVESTMENTS	4,473,345	4,020,071
PROPERTY AND EQUIPMENT	<u>29,964,979</u>	<u>30,489,513</u>
Total Assets	<u><u>\$ 63,108,238</u></u>	<u><u>\$ 59,384,421</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 246,099	\$ 341,036
Accrued Payroll and Related Expenses	1,113,287	1,030,580
Compensated Absences Payable	307,815	351,268
Deferred Revenue	258,497	202,738
Other Liabilities	22,673	24,367
Total Current Liabilities	<u>1,948,371</u>	<u>1,949,989</u>
NET ASSETS		
Without Donor Restrictions	61,018,825	57,293,957
With Donor Restrictions	141,042	140,475
Total Net Assets	<u>61,159,867</u>	<u>57,434,432</u>
Total Liabilities and Net Assets	<u><u>\$ 63,108,238</u></u>	<u><u>\$ 59,384,421</u></u>

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and Contracts	\$ 46,085,305	\$ -	\$ 46,085,305
Contributions and Donations	1,886,061	127,042	2,013,103
Program Income	335,263	-	335,263
Interest and Dividends	302,425	-	302,425
Unrealized Loss on Investments	(115,762)	-	(115,762)
Realized Loss on Investments	(538)	-	(538)
Rental Income	455,042	-	455,042
Other	194,662	-	194,662
Total Support and Revenue Before Net Assets Released from Restrictions	<u>49,142,458</u>	<u>127,042</u>	<u>49,269,500</u>
Net Assets Released from Restrictions	<u>126,475</u>	<u>(126,475)</u>	<u>-</u>
Total Support and Revenue	49,268,933	567	49,269,500
EXPENSES, GAINS, AND LOSSES			
Program Services:			
Personal Assistant Services	38,294,758	-	38,294,758
Community Integration	4,363,632	-	4,363,632
Support Services:			
Administration	<u>2,885,675</u>	<u>-</u>	<u>2,885,675</u>
Total Expenses, Gains, and Losses	<u>45,544,065</u>	<u>-</u>	<u>45,544,065</u>
CHANGES IN NET ASSETS	3,724,868	567	3,725,435
Net Assets - Beginning of Year	<u>57,293,957</u>	<u>140,475</u>	<u>57,434,432</u>
NET ASSETS - END OF YEAR	<u>\$ 61,018,825</u>	<u>\$ 141,042</u>	<u>\$ 61,159,867</u>

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Contracts	\$ 44,286,698	\$ -	\$ 44,286,698
Contributions and Donations	1,120,089	99,596	1,219,685
Program Income	324,034	-	324,034
Interest and Dividends	230,554	-	230,554
Unrealized Gains on Investments	150,257	-	150,257
Realized Gains on Investments	3,963	-	3,963
Rental Income	471,971	-	471,971
Other	549,611	-	549,611
Total Support and Revenue Before Net Assets Released from Restrictions	47,137,177	99,596	47,236,773
Net Assets Released from Restrictions	228,376	(228,376)	-
Total Support and Revenue	47,365,553	(128,780)	47,236,773
EXPENSES, GAINS, AND LOSSES			
Program Services:			
Personal Assistant Services	37,307,561	-	37,307,561
Community Integration	4,321,311	-	4,321,311
Support Services:			
Administration	2,802,082	-	2,802,082
Total Expenses, Gains, and Losses	44,430,954	-	44,430,954
CHANGES IN NET ASSETS	2,934,599	(128,780)	2,805,819
Net Assets - Beginning of Year	54,359,358	269,255	54,628,613
NET ASSETS - END OF YEAR	\$ 57,293,957	\$ 140,475	\$ 57,434,432

See accompanying Notes to Consolidated Financial Statements.

ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services			Support Services	Total Expenses
	Personal Assistant Services	Community Integration	Total Program Services	Administration	
Salaries and Related Payroll Expense	\$ 37,151,785	\$ 2,267,117	\$ 39,418,902	\$ 1,380,229	\$ 40,799,131
Home Modification Costs	-	656,295	656,295	-	656,295
Office Expenses and Postage	85,021	28,491	113,512	27,798	141,310
Training and Tuition	2,540	18,313	20,853	56,395	77,248
Public Relations/Information	-	17,923	17,923	73,451	91,374
Professional Services	19,611	18,041	37,652	15,323	52,975
Occupancy and Communications	333,071	586,574	919,645	104,839	1,024,484
Insurance	75,279	12,727	88,006	30,585	118,591
Equipment Rental and Repairs	281,534	153,777	435,311	131,198	566,509
Travel and Mileage	56,332	31,386	87,718	9,001	96,719
Printing and Publications	22,197	23,755	45,952	3,610	49,562
Interest and Bank Charges	-	293	293	109,769	110,062
Other Expenses	129,740	411,292	541,032	20,376	561,408
Building Expenses	-	-	-	290,386	290,386
Bad Debt Expense	-	-	-	73,782	73,782
Depreciation	137,648	137,648	275,296	558,933	834,229
Total Functional Expenses	<u>\$ 38,294,758</u>	<u>\$ 4,363,632</u>	<u>\$ 42,658,390</u>	<u>\$ 2,885,675</u>	<u>\$ 45,544,065</u>

See accompanying Notes to Consolidated Financial Statements.

ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services			Support Services	Total Expenses
	Personal Assistant Services	Community Integration	Total Program Services	Administration	
Salaries and Related Payroll Expense	\$ 36,209,916	\$ 2,209,494	\$ 38,419,410	\$ 1,279,199	\$ 39,698,609
Home Modification Costs	-	856,313	856,313	-	856,313
Office Expenses and Postage	85,084	29,029	114,113	31,474	145,587
Training and Tuition	1,460	20,681	22,141	50,551	72,692
Public Relations/Information	-	44,845	44,845	81,484	126,329
Professional Services	19,188	10,527	29,715	14,722	44,437
Occupancy and Communications	352,747	326,356	679,103	108,709	787,812
Insurance	72,034	11,708	83,742	29,623	113,365
Equipment Rental and Repairs	177,521	140,348	317,869	115,490	433,359
Travel and Mileage	70,293	49,316	119,609	32,132	151,741
Printing and Publications	24,261	27,464	51,725	5,497	57,222
Interest and Bank Charges	-	494	494	91,526	92,020
Other Expenses	149,966	449,645	599,611	35,585	635,196
Building Expenses	-	-	-	283,822	283,822
Bad Debt Expense	-	-	-	53,109	53,109
Depreciation	145,091	145,091	290,182	589,159	879,341
Total Functional Expenses	<u>\$ 37,307,561</u>	<u>\$ 4,321,311</u>	<u>\$ 41,628,872</u>	<u>\$ 2,802,082</u>	<u>\$ 44,430,954</u>

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 3,725,435	\$ 2,805,819
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	834,229	879,341
Bad Debt Expense	73,782	53,109
(Gain) Loss on Disposal of Property and Equipment	-	(318,960)
Net Realized and Unrealized (gain) loss on Investments	116,300	(154,220)
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	299,050	(1,004,499)
Interest Receivable	(31,764)	(103,721)
Prepaid Expenses and Other Assets	(32,413)	719
Accounts Payable	(94,937)	71,413
Accrued Payroll and Related Expenses	82,707	19,483
Compensated Absences Payable	(43,453)	44,802
Deferred Revenue	55,759	(23,637)
Other Liabilities	(1,694)	(3,672)
Net Cash Provided by Operating Activities	4,983,001	2,265,977
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of Certificates of Deposit	950,085	(8,022,269)
Purchases of Investments	(569,574)	(1,550,531)
(Increase) Decrease in Designated Cash for a Sports Complex	(85,126)	72,513
Proceeds from Sale of Property and Equipment	-	335,958
Purchases of Property and Equipment	(309,695)	(167,817)
Net Cash Used by Investing Activities	(14,310)	(9,332,146)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,968,691	(7,066,169)
Cash and Cash Equivalents - Beginning of Year	9,361,513	16,427,682
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 14,330,204	\$ 9,361,513

See accompanying Notes to Consolidated Financial Statements.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Ability360 was organized as a nonprofit corporation in May 1984 under the laws of the state of Arizona. Ability360 offers a full range of empowering programs for individuals with disabilities and family members with disability concerns. Ability360's programs include independent living skills instruction, peer support, information and referral, advocacy, home modifications, social and recreational programs, early intervention and outreach to rehabilitation hospitals, community reintegration from nursing homes, youth transition, personal assistance services, social security work incentives and benefits counseling, and employment services for SSDI and SSI beneficiaries.

ABIL Development, LLC was incorporated in the state of Arizona on February 1, 2007, as a limited liability company. Ability360 is the sole member of ABIL Development, LLC and Ability360 has an economic interest in and exercises control over ABIL Development, LLC. The purpose of ABIL Development, LLC is to carry out the programs that complement the activities of Ability360.

Consolidated Financial Statements

The consolidated financial statements include both the accounts of Ability360 and ABIL Development, LLC (collectively referred to as Ability360). All of the financial activities and balances of these organizations are included in these consolidated financial statements. All significant interorganization accounts and transactions have been eliminated in consolidation.

The consolidated financial statements of Ability360 and Subsidiary have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

Basis of Presentation

Ability360's consolidated financial statements have been prepared in accordance with the Not-For-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance). Under the Guidance, Ability360 is required to provide consolidated financial statements which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

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, net assets for an operating reserve and board-designated endowment.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

We report contributions restricted by donors 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Use of Estimates in the Preparation of Consolidated Financial Statements

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

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less, when purchased, meet this definition.

Certificates of Deposit

Certificates of deposit, with maturities at date of purchase of more than three months, are reported at cost which approximates fair value.

Accounts Receivable

Accounts receivable consist primarily of amounts due from various agencies and are unsecured. Accounts receivable are stated at the amount management expects to collect. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management provides for probable, uncollectible amounts through a charge to operations and an increase to a valuation allowance based on the assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease to accounts receivable.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. There are no pledges receivable as of June 30, 2020 and 2019.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Investment income (including interest and dividends) and realized and unrealized gains and losses are reported in the consolidated statements of activities under support and revenue.

Property and Equipment

Purchased property and equipment are initially recorded at cost, and donated property and equipment are recorded at fair value at the date of gift to Ability360. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of \$2,500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization is provided using the straight-line method over the respective useful lives of the assets, which range from 3 to 50 years. Leasehold improvements are amortized over the shorter of the useful lives of the improvements or the lease terms.

Impairment of Long-Lived Assets

Ability360 reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe that there were any impairments as of June 30, 2020 and 2019.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Ability360 accounts for contributions and grants in accordance with the Guidance depending on the existence of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Ability360 reports the support as net assets without donor restrictions.

Grants and Contracts

Ability360 recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give—that is, those with a measurable performance or other barrier and a right of return—are not recognized until the conditions on which they depend have been met. Federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2020, conditional contributions approximating \$490,000, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Income Taxes

Ability360 qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for federal or state corporate income taxes. In addition, Ability360 has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

ABIL Development, LLC is a limited liability company incorporated in the state of Arizona which is a pass-through entity. All income or loss of this entity is reported at the Ability360 level.

Both organizations remain subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expense. Accordingly, certain costs have been allocated among the programs and support services benefited. The allocation methods used are subject to a degree of estimation by management. Directly identifiable expenses are charged to program and supporting services. Salary and other expenses related to more than one function are charged to program and supporting services on the basis of full time equivalents and management's best estimate. Administration expenses include those expenses that are not directly identifiable to any other specific function but provide for the overall support and direction of Ability360.

Cash and Cash Equivalents

Cash and cash equivalents at June 30 consist of the following:

	2020	2019
Cash on Hand	\$ 647	\$ 647
Checking Account Balances	12,790,160	8,860,866
Money Market Funds	1,539,397	500,000
Total Cash and Cash Equivalents	<u>\$ 14,330,204</u>	<u>\$ 9,361,513</u>

Change in Accounting Principle

Ability360 adopted Financial Accounting Standards Board (FASB) ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting for Contributions Received and Contributions Made*, in fiscal year 2020. The adoption did not impact Ability360's financial position as of June 30, 2020, or the changes in its net assets or cash flows for the year then ended.

Subsequent Events

We have evaluated subsequent events through November 12, 2020, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

As part of Ability360's liquidity management plan, they invest cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds. Ability 360 has ample cash and investments to cover operating expenses.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 14,330,204	\$ 9,361,513
Certificates of Deposit	7,072,184	8,022,269
Accounts Receivable	6,880,251	7,253,083
Investments (Excluding ACF)	3,078,322	2,598,950
Less: Funds with Donor-Imposed Restrictions	(141,042)	(140,475)
Total	<u>\$ 31,219,919</u>	<u>\$ 27,095,340</u>

NOTE 3 ACCOUNTS RECEIVABLE

Ability360 receives a substantial amount of revenue from grants and contracts. Ability360's accounts receivable at June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Mercy Care	\$ 4,202,214	\$ 4,565,894
Banner University Family Care	554,711	620,563
United Healthcare Community Plan	1,412,297	1,619,646
Other	931,038	656,036
Total	7,100,260	7,462,139
Less: Allowance for Doubtful Accounts	(220,009)	(209,056)
Accounts Receivable, Net	<u>\$ 6,880,251</u>	<u>\$ 7,253,083</u>

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, Ability360 uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The fair value framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Accounting Standards Codification (ASC) 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Ability360 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 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies used for financial instruments follows:

Investments

Equity securities, corporate bonds, government issued securities, money market funds, and other funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Debt securities consisting of government agency debt obligations are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality, and type. There are no directly held debt securities in the investment portfolio. Debt securities are generally classified within Level 2 of the valuation hierarchy.

Hedge funds, private equity, venture capital, and other investments for which there is not an active market are valued at the quoted market price for underlying marketable securities or an estimate of underlying asset fair values as determined in good faith by the general partner. These alternative investments are classified within Level 3 of the valuation hierarchy.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Ability360 also invests in the Arizona Community Foundation, Inc. (ACF) pool. The fair value of these investments is based on its investment percentage in the investment pool. The ACF pool is invested in cash, equity securities, bonds, and other investments. This investment is classified within Level 3 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Ability360 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.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2020 and 2019:

	2020			Total
	Level 1	Level 2	Level 3	
Fixed Income	\$ -	\$ 330,044	\$ -	\$ 330,044
Equity	1,071,777	-	-	1,071,777
Mutual Funds	1,512,478	-	-	1,512,478
Exchange-Traded Products	15,490	-	-	15,490
Pooled Investments:				
Arizona Community Foundation	-	-	1,395,023	1,395,023
Total Investments at Fair Value	<u>\$ 2,599,745</u>	<u>\$ 330,044</u>	<u>\$ 1,395,023</u>	<u>4,324,812</u>
Cash and Cash Equivalents				148,533
Total Investments				<u>\$ 4,473,345</u>
	2019			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ -	\$ 265,396	\$ -	\$ 265,396
Equity	1,112,750	-	-	1,112,750
Mutual Funds	1,044,591	-	-	1,044,591
Exchange-Traded Products	113,495	-	-	113,495
Pooled Investments:				
Arizona Community Foundation	-	-	1,421,121	1,421,121
Total Investments at Fair Value	<u>\$ 2,270,836</u>	<u>\$ 265,396</u>	<u>\$ 1,421,121</u>	<u>3,957,353</u>
Cash and Cash Equivalents				62,718
Total Investments				<u>\$ 4,020,071</u>

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30:

	<u>2020</u>	<u>2019</u>
Balance - Beginning of Year	\$ 1,421,121	\$ 995,892
Realized and Unrealized Gains	(43,931)	12,855
Additions	17,833	412,374
Balance - End of Year	<u>\$ 1,395,023</u>	<u>\$ 1,421,121</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 349,662	\$ 349,662
Buildings	35,412,843	35,412,843
Swimming Pool	984,951	984,951
Furniture, Equipment, and Vehicles	2,192,466	2,005,355
Leasehold Improvements	2,935,817	2,935,817
Total	<u>41,875,739</u>	<u>41,688,628</u>
Less: Accumulated Depreciation and Amortization	<u>(11,910,760)</u>	<u>(11,199,115)</u>
Property and Equipment, Net	<u>\$ 29,964,979</u>	<u>\$ 30,489,513</u>

Depreciation and amortization expense charged to operations was \$834,229 and \$879,341 for the years ended June 30, 2020 and 2019, respectively.

NOTE 6 RENTALS UNDER OPERATING LEASES

Ability360 leases office space to unrelated parties. Certain of these leases contain options to renew. Rental revenue recognized by Ability360 was \$455,042 and \$471,971 for the years ended June 30, 2020 and 2019, respectively.

The future minimum rental income under these operating leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 375,456
2022	368,611
2023	371,534
2024	162,028
2025	18,754
Total	<u>\$ 1,296,383</u>

Management believes that leases that expire will be renewed; thus, it is anticipated that future rental revenue will approximate the amount recognized in fiscal 2020.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 7 OPERATING LEASES

Ability360 leases office space and office equipment under the provisions of noncancelable operating leases. Rental expense under the terms of the operating leases was \$178,673 and \$174,654 for the years ended June 30, 2020 and 2019, respectively. Certain operating leases provide for renewal options.

The future minimum rental payments under these operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 82,413
2022	67,912
2023	26,617
2024	5,303
2025	449
Total	<u>\$ 182,694</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2020</u>	<u>2019</u>
Subject to Expenditure for Specified Purpose:		
Cash for COVID-19 Relief Support	\$ 25,000	\$ -
Cash for Advocacy	5,967	-
Cash for Project Independence and Empowerment	-	40,879
Cash for Event Sponsorship	10,000	-
Cash for Team360 Sports and Fitness	28,575	-
Cash for Youth Continuum of Services	71,500	99,596
Total	<u>\$ 141,042</u>	<u>\$ 140,475</u>

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019**

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Expiration of Time Restrictions	\$ -	\$ -
Satisfaction of Purpose Restrictions:		
Mast House Replacements	-	18,861
BHHS Legacy Foundation	-	46,172
Caleb Reese	-	49,788
Davignon Charitable Fund	-	3,000
Project Independence and Empowerment	40,879	13,821
Breaking Barriers Program	-	81,734
MaxInMotion Youth Adaptive Sports Clinics	-	15,000
Youth Continuum of Services	85,596	-
Total	<u>\$ 126,475</u>	<u>\$ 228,376</u>

NOTE 9 DONATED GOODS AND SERVICES

Ability360 receives donated services from a variety of unpaid volunteers assisting in various programs. No amounts have been recognized in the accompanying consolidated statements of activities because the accounting criteria for recognition of such volunteer efforts have not been satisfied.

NOTE 10 RETIREMENT PLAN

Ability360 maintains a 403(b) thrift plan which is available to all full-time employees. Under the plan, employees can elect to have their salary reduced on a pre-tax basis, based on a percentage of compensation. Ability360 has a matching contribution requirement up to 4% for the years ended June 30, 2020 and 2019. Ability360's retirement plan expense was \$136,822 and \$151,867 for the years ended June 30, 2020 and 2019, respectively.

NOTE 11 CONCENTRATION RISK

Ability360 received 86% of their revenue from two government contracts during the year ended June 30, 2020. Ability360 received 87% of their revenue from two government contracts during the year ended June 30, 2019.

Approximately 79% of the accounts receivable balance is due from two government contracts as of June 30, 2020. Approximately 83% of the accounts receivable balance is due from two government contracts as of June 30, 2019.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 11 CONCENTRATION RISK (CONTINUED)

Ability360 maintains all of its cash with banks located in Arizona. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. As of June 30, 2020 and 2019, a portion of cash balances at financial institutions exceeded the balance insured by the FDIC.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Ability360 participates in a number of federal and state assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, Ability360's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although Ability360's management expects such amounts, if any, to be immaterial.

Ability360 is contingently liable in respect to claims incidental to the ordinary course of its operations. In the opinion of management, such matters will not have a material adverse effect on Ability360's financial position, operations, or liquidity. Therefore, no provision has been made in the accompanying consolidated financial statements for losses, if any, that might result from the ultimate outcome of these matters.

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Ability360, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes Ability360 is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

During the year ended June 30, 2020, Ability360 received notification of late filings from the IRS that resulted in penalties and fines. Ability 360 has consulted with an attorney and has filed for an abatement of these penalties and fines. Management believes that they will be successful in receiving a full abatement from the IRS. As of November 12, 2020, the date these consolidated financial statements were available for issuance, an estimate of liability that is reasonable and probable could not be determined. This contingency could range from a full abatement up to \$327,250.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2020 AND 2019

NOTE 13 UPCOMING ACCOUNTING STANDARDS

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for the Organization for the year ending June 30, 2021.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of Ability360's leasing activities. The guidance will initially be applied using a modified retrospective approach. The standard will be effective for the Ability360 for the year ending June 30, 2023. Management is evaluating the impact of the amended lease guidance on Ability360's consolidated financial statements.

ABILITY360 AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	Ability360	ABIL Development, LLC	Eliminations	Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 14,320,964	\$ 9,240	\$ -	\$ 14,330,204
Designated Cash	88,944	-	-	88,944
Certificates of Deposit	7,072,184	-	-	7,072,184
Accounts Receivable, Net	6,880,251	-	-	6,880,251
Interest Receivable	135,485	-	-	135,485
Prepaid Expenses and Other Assets	162,846	-	-	162,846
Total Current Assets	<u>28,660,674</u>	<u>9,240</u>	<u>-</u>	<u>28,669,914</u>
INVESTMENTS	4,473,345	-	-	4,473,345
PROPERTY AND EQUIPMENT, Net	11,011,436	18,953,543	-	29,964,979
INVESTMENT IN ABIL DEVELOPMENT, LLC	28,675,458	-	(28,675,458)	-
Total Assets	<u>\$ 72,820,913</u>	<u>\$ 18,962,783</u>	<u>\$ (28,675,458)</u>	<u>\$ 63,108,238</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 245,163	\$ 936	\$ -	\$ 246,099
Accrued Payroll and Related Expenses	1,113,287	-	-	1,113,287
Compensated Absences Payable	307,815	-	-	307,815
Deferred Revenue	258,497	-	-	258,497
Other Liabilities	22,673	-	-	22,673
Total Current Liabilities	<u>1,947,435</u>	<u>936</u>	<u>-</u>	<u>1,948,371</u>
NET ASSETS				
With Donor Restrictions	70,732,436	18,961,847	(28,675,458)	61,018,825
Without Donor Restrictions	141,042	-	-	141,042
Total Net Assets	<u>70,873,478</u>	<u>18,961,847</u>	<u>(28,675,458)</u>	<u>61,159,867</u>
Total Liabilities and Net Assets	<u>\$ 72,820,913</u>	<u>\$ 18,962,783</u>	<u>\$ (28,675,458)</u>	<u>\$ 63,108,238</u>

**ABILITY360 AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(SEE INDEPENDENT AUDITORS' REPORT)**

	Ability360	ABIL Development, LLC	Eliminations	Total
SUPPORT AND REVENUE				
Grants and Contracts	\$ 46,085,305	\$ -	\$ -	\$ 46,085,305
Contributions and Donations	2,013,103	-	-	2,013,103
Program Income	335,263	-	-	335,263
Interest and Dividends	302,425	-	-	302,425
Unrealized Loss on Investments	(115,762)	-	-	(115,762)
Realized Loss on Investments	(538)	-	-	(538)
Rental Income	35,518	419,524	-	455,042
Other	194,662	-	-	194,662
Total Support and Revenue	<u>48,849,976</u>	<u>419,524</u>	<u>-</u>	<u>49,269,500</u>
EXPENSES, GAINS, AND LOSSES				
Personal Assistant Services	38,294,758	-	-	38,294,758
Community Integration	4,363,632	-	-	4,363,632
Support Services:				
Administration	2,128,901	756,774	-	2,885,675
Total Expenses	<u>44,787,291</u>	<u>756,774</u>	<u>-</u>	<u>45,544,065</u>
CHANGES IN NET ASSETS	4,062,685	(337,250)	-	3,725,435
CAPITAL CONTRIBUTIONS	-	(114,684)	114,684	-
Net Assets - Beginning of Year	<u>66,810,793</u>	<u>19,413,781</u>	<u>(28,790,142)</u>	<u>57,434,432</u>
NET ASSETS - END OF YEAR	<u><u>\$ 70,873,478</u></u>	<u><u>\$ 18,961,847</u></u>	<u><u>\$ (28,675,458)</u></u>	<u><u>\$ 61,159,867</u></u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Ability360 and Subsidiary
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Ability360 and Subsidiary, which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Ability360 and Subsidiary's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ability360 and Subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of Ability360 and Subsidiary's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ability360 and Subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
November 12, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Ability360 and Subsidiary
Phoenix, Arizona

Report on Compliance for the Major Federal Program

We have audited Ability360 and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Ability360 and Subsidiary's major federal program for the year ended June 30, 2020. Ability360 and Subsidiary's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Ability360 and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ability360 and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ability360 and Subsidiary's compliance.

Opinion on the Major Federal Program

In our opinion, Ability360 and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Ability360 and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ability360 and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ability360 and Subsidiary's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the consolidated financial statements of Ability360 and Subsidiary as of and for the year ended June 30, 2020, and have issued our report thereon dated November 12, 2020, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 12, 2020

**ABILITY360 AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
96.008	Arizona Social Security Administration Outreach Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes _____ no

**ABILITY360 AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

ABILITY360 AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Agency/Pass-Through Entity/ Federal Assistance Program	Contract Number	CFDA Number	Federal Award Expenditures
U.S. Department of Housing and Urban Development			
Passed through:			
City of Phoenix, Community Development Block Grant	150502-0	14.218	\$ 28,045
City of Peoria, Community Development Block Grant	ACON3619	14.218	7,847
City of Surprise, Community Development Block Grant Cluster	2019-NSD-7	14.218	5,710
Total Community Development Block Grant Cluster			<u>41,602</u>
Total U.S. Department of Housing and Urban Development			<u>41,602</u>
U.S. Department of Health and Human Services			
Passed Through:			
Arizona Department of Economic Security,			
Social Services Block Grant	ADES14-080206	93.667	66,006
Social Services Block Grant	CTR048311-1	93.667	24,303
Centers for Independent Living – Title VII	1802AZILCL-00	93.432	99,111
Centers for Independent Living – Title VII	1902AZILCL-00	93.432	307,779
Centers for Independent Living – Title VII - CARES Act	2002AZILC3	93.432	130,691
Total U.S. Department of Health and Human Services			<u>627,890</u>
U.S. Department of Social Security Administration			
Passed Through:			
Arizona Social Security Administration Outreach Program	5 WIP15050423-05-00	96.008	298,041 *
Total U.S. Department of Social Security Administration			<u>298,041</u>
Total Expenditures			<u>\$ 967,533</u>

* Indicates a major program for the fiscal year ended June 30, 2020.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

ABILITY360 AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Ability360 and Subsidiary under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ability360 and Subsidiary, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Ability360 and Subsidiary.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Ability360 and Subsidiary has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The program titles and CFDA numbers were obtained from the Catalog of Federal Domestic Assistance.

NOTE 4 SUBRECIPIENTS

There were no subrecipient payments during the year.

