Special Abilities of North Texas, Inc.

1960 Archer Avenue, Lewisville, Texas 75077-7602

Financial Statements
December 31, 2012

John W. Jones, CPA
529 Birch Lane, Richardson, Texas 75081-5625
972-231-5245 / 214-695-1190

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John W. Jones

Certified Public Accountant

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Independent Auditor's Report

To the Board of Directors of
Special Abilities of North Texas, Inc.
1960 Archer Avenue
Lewisville, Texas 75077-7602

I have audited the accompanying statements of financial position of Special Abilities of North Texas, Inc. (a nonprofit organization) as of December 31, 2012 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Special Abilities of North Texas, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

John W. Jones, CPA
Richardson, Texas
October 17, 2013

Special Abilities of North Texas, Inc.
Statement of Financial Position
December 31, 2012

Assets	
Cash and Cash Equivalents	6,054
Client Accounts Receivables	17,316
Grant Receivables	636
Prepaid Expenses	1,209
Total Current Assets	25,215
Capital Assets:	
Equipment & Furniture	65,539
Total Capital Assets	65,539
Less: Accumulated Depreciation	39,115
Total Net Capital Assets	26,424
Other Assets:	
Receivable from Special Abilities Foundation	157,172
Total Assets	208,811
Liabilities	
Accounts Payable	84,501
Accrued Payroll & Payroll Taxes	10,191
Mortgages Payable - Current Portion	-
Total Current Liabilities	94,692
Long-Term Liabilities	
Mortgages Payable-Net of Current Portion	-
Notes Payable - Board Member	-
Total Long-Term Liabilities	-
Net Assets	
Unrestricted Net Assets	114,119
Restricted Net Assets	-
Total Net Assets	114,119
Total Liabilities and Net Assets	208,811

The Accompanying notes are an integral part of this statement.

Special Abilities of North, Texas, Inc.
Statement of Activities
For the Year Ended December 31, 2012

Changes in Unrestricted Net Assets:	
Revenues:	
Contributions - Non-Restricted	67,027
Grants - Government & Business	195,734
Program Services Client Revenue	260,506
Fund Raising	24,444
Other Income	422
Total Revenues	548,133
Proceeds Reclassified as Unrestricted Assets	-
Total Revenue and Net Asset Reclassified as Unrestricted	548,133
Expenses:	
Program Costs	548,050
General and Administrative	40,867
Fundraising	25,999
Total Expenses	614,916
Increase (Decrease) in Unrestricted Net Assets	(66,783)
Changes in Temporarily Restricted Net Assets	
Proceeds Reclassified as Restricted Assets	-
Increase (Decrease) In Temporarily Restricted Net Assets	-
Change in Net Assets	(66,783)
Net Unrestricted Assets, Beginning of Year	180,902
Net Unrestricted Assets, End of Year	114,119

The Accompanying notes are an integral part of this statement.

Special Abilities of North Texas, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012

Expense Description	Program Services	General & Administrative	Fund Raising	Total Expenses
Advertising	-	-	7,141	7,141
Client Meals	25,988	-	-	25,988
Client Supplies	12,030	-	-	12,030
Client Transportation	9,455	-	-	9,455
Depreciation	5,801	968	-	6,769
Dues & Subscriptions	427	-	-	427
Employee Education	490	-	-	490
Equipment Disposition	36,506	-	-	36,506
Insurance	34,842	3,126	-	37,968
Interest Expense	-	11,401	-	11,401
Licenses	254	-	-	254
Meals & Entertainment	-	983	-	983
Office Supplies	3,139	1,853	-	4,992
Payroll	243,555	21,689	-	265,244
Postage	-	524	1,049	1,573
Professional Fees	16,987	-	4,950	21,937
Rent	130,247	-	-	130,247
Repairs	9,588	323	-	9,911
Special Events Costs	-	-	12,859	12,859
Telephone	3,838	-	-	3,838
Travel	718	-	-	718
Utilities	14,185	-	-	14,185
Total Functional Expenses	548,050	40,867	25,999	614,916

The Accompanying notes are an integral part of this statement.

Special Abilities of North Texas, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash Flows From Operating Activities:	
Changes in Net Assets	(66,783)
Decrease in Unrestricted Assets	-
Adjustments of Reconcile Changes in Net to Net Cash Provided (Used) by Operating Activities:	
Depreciation	6,769
Increase in Client Account Receivables	(4,999)
Decrease in Grant Receivables	12,164
Decrease in Prepaid Expenses	3,057
Increase in Accounts Payable	69,307
Decrease in Payroll Payable	(601)
Increase in Notes Receivable	(157,172)
Net Cash Provided (Used) by Operating Activities	(138,258)
Cash Flows Provided / (Used) from Investing Activities:	
Disposition of Equipment	36,506
Equipment Acquisition	(11,110)
Sale of Building, Land & Improvements	424,396
Net Cash Provided / (Used) by Investing Activities	449,792
Cash Flows Provided / (Used) from Financing Activities:	
Board Member Loan Payments	(33,100)
Assumptions of Notes Payable	(268,636)
Payments on Bank Notes	(7,551)
Net Cash Provided (Used) by Financing Activities	(309,287)
Net Increase (Decrease) in Cash	2,247
Cash as of Beginning of Year	3,807
Cash as of End of Year	6,054

The Accampanying notes are an integral part af this statement.

Note 1 – Mission:
Special Abilities of North Texas, Inc. (Special Abilities) is a Texas nonprofit corporation founded in 1993 to provide daytime health care and social services for Denton County, Texas adults who are chronically ill or impaired. The mission of Special Abilities is to provide the highest quality care, training and support to adults with special needs. While giving them opportunities to succeed in life, family and the community and offering respite to their care providers.

Note 2 – Organization:
Special Abilities was formed in order to develop a licensed, Medicaid-contracted adult day care program. The agency provides cost effective and compassionate daytime healthcare and socialization delivered by professional healthcare workers to prevent expensive premature institutionalization. Services provided by Special Abilities include medical supervision, rehabilitative care, social and recreational activities, personal care and family support. Special Abilities receives support through Medicaid reimbursements, private pay, grants and donations from the public. In 2008 Special Abilities purchased a building with which to expand its programs into the Lewisville, Texas area.

Note 3 – Name Change:
The organization's name was changed in January 2012 to Special Abilities of North Texas, Inc. from Day Stay For Adults, Inc.

Note 4 – Summary of Significant Accounting Policies:
Basis of Accounting: The financial statements of Special Abilities have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Special Abilities follows standards of accounting and financial reporting for not-for-profit organizations as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for Not-For Profit Organizations.

Revenue Recognition: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restriction.

Donations that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (this is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Promises to Give: Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment: Property and equipment is recorded at cost or at their estimated fair value if donated. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, Special Abilities reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Special Abilities reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated over five years using the straight-line method. No depreciation is recorded on real estate held for sale.

Donated Services: Special Abilities recognizes donated services that create or enhance nonfinancial assets or that require specialized skills. Services provided by individuals possessing these skills would typically need to be purchased if not provided by donation. Other volunteer hours are not valued in Special Abilities' financial statements.

Expense Allocation: The costs of providing the program and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between the program and supporting services benefited.

Use of Estimates: The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes: Special Abilities is a not-for-profit corporation that is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. It is not classified as a private foundation.

Statement of Cash Flows: Special Abilities uses the indirect method of reporting cash flows. The organization considers all certificates of deposit and other instruments with original maturities of twelve months or less to be cash equivalents.

Fair Values of Financial Instruments: Special Abilities estimates that the fair value of all financial instruments at December 31, 2012, does not differ materially from the aggregate values of its financial instruments recorded in the accompanying Statement of Financial Position.

Note 5 – Client Billings:
Special Abilities bills its clients based on actual attendance. Some clients are on private pay billing and other clients are covered by Medicaid / HCS. Billing is based on units – a unit being hours serviced by Special Abilities. The Medicaid unit rate at both locations ranged between $13.99 to $15.14, depending on the Medicaid/Star Plus program. A unit for Medicaid is a minimum of 3 hours service, and 2 units for 6 plus hours service. The Home & Community Services (HCS) rate ranged between $18.47 and $45.75 per day. The rate is dependent upon the services required by the client. The private pay unit billing rate for 2011 was $44 per day for existing clients and as of October 1st a new rate of $65 per day applied. The revised rate will apply for all clients in 2012. During 2012 Special Abilities billed 15,333 units under Medicaid / HCS billings, and another 819 units under private pay billings.

Note 6 – Grants:
To cover the variance between actual client service costs and the revenue allowed by Medicaid, Special Abilities received several grants. The major grants are as follows:

Organization	Grant $
Carl Buck Family Partnership, Ltd	$128,400
Buck Properties LLC	$33,500
United Way of Denton	$46,000
CoServ Foundation	$22,000
Town of Flower Mound	$5,000

In 2012 government and business grants totaled $195,734. Non-restricted contributions totaled $67,027 in 2012.

Note 7 – Volunteer Hours:
To accomplish Special Abilities' not-for-profit mission at a reasonable cost for its clients, it relies on volunteers. During 2012 the management estimated that volunteers contributed over X,XXX work hours. In addition to outside volunteer hours, Special Abilities' board of directors also contributed significant hours to the mission – estimated at X,XXX.

Note 8 – Disposition of Building and Land:
In September 2012 the Special Abilities Foundation was formed. The formation purpose was to hold title to the Special Abilities building and service the mortgage. The building, land, and improvements were transferred to the Foundation at net book cost ($460,269 less accumulated depreciation of $35,873) less a mortgage note balance of $268,636. Special Abilities received a note for $155,760 with an interest rate of .84%. Management expects the note to be paid within 5 years.

Note 8 – Lewisville Lease / Long-Term Liabilities:
Along with the transfer of the building and land to the Special Abilities Foundation, Special Abilities executed a 2 year lease. The lease requires monthly payments of $X,XXX. The lease includes that Special Abilities will provide for insurance and normal repairs. The long term liability from the lease obligations are as follows:

Year	Cost Obligation
2013	$X,XXX
2014	$X,XXX

Note 9 – Corinth Facility:
Special Abilities had a lease on the Corinth facility which expired on October 31, 2013 with a rate of $5,675 per month. Management decided to close this facility and merge client care into the Lewisville facility. The Corinth facility was abandoned during 2012. The rent payment in 2013 totaled $58,237. In compliance with generally accepted accounting principles, this amount was accrued as a liability in 2012 with a corresponding entry to rent expense.

Note 10 – Corinth Equipment:
With the closing of the Corinth facility in 2012, useful equipment was transferred to the Lewisville facility. Other equipment and leasehold improvements were abandoned in place. The book value of the abandoned equipment and leasehold improvements was $36,506 ($59,976 in cost less accumulated depreciation of $23,470). The loss was recorded as a program services costs in 2012.

Note 10 – Long-Term Liabilities – Board Member:
Special Abilities at the end of 2011 owed a board member $33,100. This loan was paid in 2012.

Note 12 – Restricted Grants / Contributions:
Special Abilities received a $22,000 grant from the CoServ Foundation in 2012. The grant was restricted to reimbursement of meal costs for clients, and was fully utilized. Thusly no restricted of equity was required in 2012

Note 13 – Equipment & Depreciation:
Special Ability has $65,539 in equipment, furniture, fixtures, and leasehold improvements. Equipment, Furniture/Fixtures, and improvements are depreciated over periods from 3, 5, 7 and 15 years. The straight line depreciation method is used on all items. For the calendar 2012 period depreciation expense of $6,769 was recognized.