Special Abilities of North Texas, Inc.

1511 Justin Road, Suite B, Lewisville, Texas 75077

Financial Statements
December 31, 2016

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.
1511 Justin Road, Suite B
Lewisville, Texas 75077

I have audited the accompanying statement of financial position of Special Abilities of North Texas, Inc. (a nonprofit organization) as of December 31, 2016 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, 2016, 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
August 10, 2017

Special Abilities of North Texas, Inc.
Statement of Financial Position
December 31, 2016

Assets

Current Assets:	
Cash	21,020
Program Receivables	60,562
Prepaid Expenses	5,368
Total Current Assets	86,950
Property & Equipment:	
Furniture and Fixtures	87,820
Less Accumulated Depreciation	(53,637)
Net Property & Equipment	34,183
Other Assets:	
Receivable - Related Party	7,595
Total Other Assets	7,595
Total Assets	128,728

Liabilities and Net Assets

Current Liabilities:	
Accounts Payable	1,500
Accrued Payables	8,081
Accrued Payroll	5,567
Payroll Tax Payable	25,519
Total Current Liabilities	40,667
Net Assets	
Unrestricted	88,061
Total Liabilities and Net Assets	128,728

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, 2016

Changes In Unrestricted Net Assets:	
Revenue and Support:	
Grants - Corporations & Governments	79,500
General Public Contributions	161,004
Program Revenue	392,095
Special Event Revenue - Net of Costs	30,546
Interest Income	10
Total Unrestricted Support	663,155
Expenses:	
Program Services	605,435
Management & General	68,499
Fundraising	5,436
Total Expenses	679,370
Increase in Net Assets, Unrestricted	(16,215)
Net Assets, Beginning of Year	104,276
Net Assets, End of Year	88,061

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, 2016

	Program Services	Management & General	Fundraising	Expense Totals
Advertising	-	-	5,436	5,436
Auto Costs	472	-	-	472
Bank Fees	-	2,349	-	2,349
Building Maintenance	1,023	-	-	1,023
Client Outings	14,097	-	-	14,097
Client Supplies	22,471	-	-	22,471
Client Training	2,041	-	-	2,041
Client Transportation	7,878	-	-	7,878
Depreciation	11,668	173	-	11,841
Dues & Subscriptions	-	929	-	929
Employee Insurance	20,418	-	-	20,418
Hiring Costs	1,121	-	-	1,121
Insurance - Casualty	19,287	-	-	19,287
Meeting Costs	-	1,641	-	1,641
Payroll & Taxes	381,051	30,088	-	411,139
Postage	-	537	-	537
Professional Fees	16,464	22,001	-	38,465
Relocation Costs	10,000	-	-	10,000
Rent	43,462	4,829	-	48,291
Repairs	6,207	690	-	6,897
Scholarships	11,920	-	-	11,920
Software Maintenace	1,633	817	-	2,450
Supplies	5,263	1,754	-	7,017
Telephone	6,004	667	-	6,671
Travel	4,736	-	-	4,736
Utilities	18,219	2,024	-	20,243
	605,435	68,499	5,436	679,370

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, 2016

Cash Flows From Operating Activities		
Increase in Net Assets		(16,215)
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	11,841	
Increase In Program Receivables	(8,701)	
Increase in Prepaid Expenses	(5,368)	
Decrease in Accounts Payable	(152)	
Decrease in Accrued Payables	(579)	
Decrease in Accrued Payroll	(857)	
Increase in Payroll Taxes Payable	17,531	
Total Adjustments		13,715
Net Cash Provided by Operating Activities		(2,500)
Cash Flows From Investing Activities		
Equipment Acquisition		(20,193)
Cash Flows From Financing Activities:		
Related Party Notes Receivable Payments	26,154	
Net Cash Received in Investing Activities		26,154
Net Increase in Cash		3,461
Cash, Beginning of Year		17,559
Cash, End of Year		21,020

The accompanying notes are an integral part of this statement.

Note 1 – Mission:

To provide the highest quality care, training and support to adults with Intellectual and Developmental Disabilities ("IDD"), giving them opportunities to succeed in life, family and the community, while offering respite to their caregivers.

Note 2 – Organization and Nature of Operations:

Special Abilities of North Texas, Inc. ("Special Abilities") is a nonprofit corporation organized in December 1993 under Section 501(c)(3) of the Internal Revenue Code, with the mission of providing the highest quality care, training and support to adults with IDD, giving them opportunities to succeed in life, family and the community, while offering respite to their caregivers. Special Abilities is supported primarily through government and corporate grants, fundraising events, and private donor contributions.

Note 3 - Program Services:

Program services include expenses to provide adult day rehabilitation services at its two campuses in the North Texas area, focusing on five key activities: (1) vocational development and job training; (2) academics and continuing education; (3) community inclusion; (4) health, fitness and nutrition; and (5) independent living skills. Services are provided at 2 locations in Denton County – (1) 1511 Justin Road, Suite B, Lewisville, and (2) 601 Morriss Road, Flower Mound. In April, 2016 Special Abilities no longer accepted day activities and health services clients (DAHS). This allowed for significantly lowered operating costs without a corresponding loss in client service income.

Note 4 – Financial Support:

As a charitable nonprofit, Special Abilities relies on community support. These include fundraising events, public charitable donations, planned giving and grants. Limited funding for services are provided by (1) HCS, (2) CLASS funds, (3) Texas Home Living (TXHML) and, (4) private payments.

Note 5 – Summary of Significant Accounting Policies:

Basis of Presentation and Principles of Combination

The accompanying combined financial statements include the accounts of Special Abilities and the Foundation (collectively, the "Organization"), which are entities related through a common mission, and have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). All intercompany transactions and balances have been eliminated.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) Section 58 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations).* Accordingly, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Temporarily restricted net assets – Temporarily restricted net assets consist of donor restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpected amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. The Organization had no temporarily restricted net assets at December 31, 2016.

Permanently restricted net assets - Permanently restricted net assets consist of donor restricted contributions, which are required to be held in perpetuity. Income from the assets held is generally available for either operations or specific purposes, in accordance with donor stipulations. The Organization had no permanently restricted net assets at December 31, 2016.

Contributions and Unconditional Promises to Give

Contributions are recognized as revenue when received or when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increase in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Contributions and promises to give due in less than one year are recorded at their net realizable value upon receipt. Contributions and promises to give due in more than one year are recorded at fair value on the date received. Conditional promises to give are recognized when the conditions on which such promises depend are substantially met.

Donated Materials and Contributed Services
Donated materials are recorded in the statement of activities and changes in net assets as contribution revenue with offsetting expenses or capitalized expenditures at their estimated fair value at the date of receipt. Contributed services are reflected in the statement of activities and changes in net assets at the estimated fair value of the services received if they (a) create or enhance nonfictional assets or (b) require and are provided by individuals with specialized skills and, if not provided by donation, would typically need to be purchased.

Concentration of Risk
The Organization maintains its operating cash in bank deposit accounts that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk of loss on cash.

Program Receivables
The Organization uses the allowance method to account for doubtful receivables. The allowance for doubtful accounts is based on historical bad debt experience and an evaluation of the aging of the accounts. Program receivables are written off when deemed uncollectible by management. Bad debt recoveries are included in income as realized. As of December 31, 2016, management determined that an allowance for doubtful accounts was not necessary.

Property and Equipment
The Organization capitalizes all property and equipment expenditures with a cost of $1,000 or more and having estimated useful lives of more than one year. Property and equipment are recorded at cost or, for donated items, at fair market value as of the date received. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense when incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the activities for the respective period. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 – 15 years. Long lived assets, such as property and equipment, are reviewed on an ongoing basis for impairment based on comparisons of carrying values against undiscounted future cash flows. If an impairment is identified, the assets' carrying amounts are written down to fair value. There were no impairments of long lived assets identified during the year ended December 31, 2016.

Use of Estimates
The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support, and expenses during the reporting period. Significant estimates made in preparing the financial statements include carrying value of property and equipment, and the allocation of functional expenses. Actual results could differ from those estimates.

Functional Expenses
The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain expenses have been allocated among the various programs and supporting services benefited.

Income Taxes
Special Abilities of North Texas, Inc. is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the entities are not taxed on income derived from their exempt functions. However, the entities are subject to tax on unrelated business income, which is generated from activities not related to their stated exempt purpose. The entities had no unrelated business income during the year ended December 31, 2016. The Organization is required to evaluate each of its tax positions to determine if they are more likely than not to be sustained if the taxing authority examines the respective position. A tax position included an entity's tax status and decision not to file a return. Penalties and interest assessed by income taxing authorities, if any are included in interest expense. The Organization is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2011.

Advertising and Promotion
Advertising and promotion costs are expensed as incurred, and totaled $5,901 during the year ended December 31, 2016.

Note 6 – Facility:
In September 2008 Special Abilities purchased a building on Archer Street in Lewisville, Texas. In December 2009 the ownership of the building was sold to a related entity, Special Abilities Foundation, Inc.(The Foundation). The Foundation is also a nonprofit organization exempt from federal income taxes under Section 501(c)(3). Special Abilities paid rent to The Foundation in 2016 of $37,752 under a

month to month agreement. A facility is rented in Flower Mound from the Trietsch Memorial United Methodist Church. The rent for 2016 was $8,530.

Note 7 – Notes Receivable from Special Abilities Foundation:

In the transfer of the building to the Foundation in 2012, Special Abilities received a $155,760 non-interest bearing note. At the end of 2015 the note balance was $33,749. During 2016 $26,154 was paid on the note, leaving a balance on December 31, 2016 of $7,595.

Note 8 – Clients:

During 2016 Special Abilities provided much needed services to over 130 clients. Services were provided from ¼ of a day to whole days. The billing for the services was $392,095. Depending on the level of care needed for the client, the daily rates vary from $18 to $45. The services were provided from its locations in Lewisville, Texas along with a facility in Flower Mound, Texas. Searches for additional space in the Denton, Texas area continued in 2016 and 2017.

Note 9 – Contributions:

Special Abilities relies on generous donations from corporations, governments, civic organizations and individuals to bridge the gap between the costs of services provided to clients with IDD and the billings to the clients. Major donations were provided by the following contributors:

Organization	Donation $
City of Highland Village	$3,000
Cross Timbers Rotary Club	$1,000
Highland Village Women's Club	$1,000
Independent Bank	$1,080
Lewisville Noon Rotary Club	$900
Medical Center of Lewisville	$2,500
Tower of Flower Mound	$20,000
United Way of Denton	$54,000
48 Other Individual & Company Donations	$157,024

Total donations of $240,504 were received in 2016.

Note 10 – Equipment & Depreciation:
Special Abilities has $87,820 in equipment, furniture, fixtures, leasehold improvements plus a bus. The bus is used to take clients on a variety of outings. Straight line depreciation is used with useful lives of 3, 5, 7, and 15 years. During calendar year 2016 depreciation expense of $11,841 was recognized and $20,193 of new equipment was acquired.

Note 11 – Fundraising Events:
In 2016 Special Abilities held 2 fundraising events: a Color Run and a Great Gatsby Gala. The total sponsorship contributions and patron payments totaled $44,310. The direct costs for the combined events was $13,764 which nets to a profitable fundraising event of $30,546.

Note 12 – Accomplishments of SANT:
Special Abilities of North Texas fills an important need in the community by providing a place for adults with intellectual and developmental disabilities to continue to learn, grow and lead fulfilling lives when they age-out of the public-school system at 22 years old. SANT provides training and support for adults with diagnoses such as autism, Asperger's, Down syndrome, cerebral palsy, brain trauma and other disabilities. The level of need for the clients attending SANT range from moderate to severe. The day habilitation program for these adults includes training for independent living, personal care, health (mind, body, and nutrition), socialization, and vocational and pre-vocational skills. There is also a dedicated nurse on staff to assist with medical needs.

Note 13 – Awards:
In 2016 Special Abilities of North Texas was presented with the Non-Profit of the Year award through Unity in Communities, a collective organization of area chambers of commerce, civic organizations, city municipalities, and local businesses. This reflects SANTs hard work, determination and commitment toward accomplishment of its mission.