Special Abilities of North Texas, Inc.

1511 Justin Road, Suite B, Lewisville, Texas 75077

Financial Statements
December 31, 2022

John W. Jones, CPA
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Special Abilities of North Texas, Inc.
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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, 2022, and the related statements of activities, functional expenses, cash flows, and Statement of Liquidity 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, 2022, 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
July 26, 2023

Special Abilities of North Texas, Inc.
Statement of Financial Position
December 31, 2022

Assets

Current Assets:		
Cash		63,284
Program Receivables	106,987	
Less: Program AR Bad Debt Reserve	(43,632)	
Net Program Receivables		63,355
Prepaid Expenses		17,195
Total Current Assets		143,834
Property & Equipment:		
Furniture and Fixtures	107,650	
Less Accumulated Depreciation	(97,363)	
Net Property & Equipment		10,287
Other Assets:		
Receivable - Affiliate		12,872
Total Other Assets		12,872
Total Assets		166,993

Liabilities and Net Assets

Current Liabilities:		
Accounts Payables		10,837
Accrued Payables		10,637
Accrued Payroll		22,826
Notes Payable - Bank - Current Portion		13,934
Total Current Liabilities		58,234
Long Term Liabilities:		
Notes Payable - Bank Auto Loan	6,242	
Less Current Portion	(6,242)	
Nbet Notes Payable - Bank Auto Loan		-
Notes Payable - SBA EIDL	159,979	
Less Current Portion	(7,692)	
Net Notes Payable - SBA EIDL		152,287
Total Long Term Liabilities		152,287
Total Liabilities		210,521
Net Assets		
Without Donor Restrictions		(43,528)
With Donor Restrictions		-
Total Liabilities and Net Assets		166,993

The accompanying notes are an integral part of these financial statements.

Special Abilities of North Texas, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2022 Totals
Mission Operation:			
Mission Operations Revenue:			
Program Revenue	389,858	-	389,858
Total Mission Operating Revenue	389,858	-	389,858
Mission Operations Expenses:			
Program Expenses	894,553	-	894,553
Supporting Expenses	52,573	-	52,573
Total Mission Operating Expense	947,126	-	947,126
Mission Operating Funds Deficiency	(557,268)	-	(557,268)
Grants, Donations & Fundraising Revenue:			
Grants - Corporations & Governments	45,836	-	45,836
Contributions - Non-Profits	63,355	(26,925)	36,430
Contributions - Individuals	300,599	-	300,599
Restricted Funds Release - Non-Profits	-	26,925	26,925
Special Event Revenue - Net of Costs	88,656	-	88,656
Total Grants, Donations, & Fundraising Revenue	498,446	-	498,446
Investment Income:			
Interest Income	30	-	30
Interest Expense	(2,346)		(2,346)
Decrease in Net Assets	(61,138)	-	(61,138)
Net Assets, Beginning of Year	17,610	-	17,610
Net Assets, End of Year	(43,528)	-	(43,528)

The accompanying notes are an integral part of these financial statements.

Special Abilities of North Texas, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Totals	Management & General	Fundraising	Supporting Totals	Expense Totals
Advertising	$0		$1,555	$1,555	$1,555
Building - Insurance	15,237	471		471	15,708
Building - Rent	71,748	2,219		2,219	73,967
Building - Repairs	8,795	272		272	9,067
Building - Security	1,095	34		34	1,129
Building - Utilities	28,559	883		883	29,442
Client Training	600			-	600
Client Supplies	67,164			-	67,164
Client Transportation	18,540			-	18,540
Computer Costs	5,225	1,306		1,306	6,531
Contract Labor	39,000			-	39,000
Depreciation	11,048	313		313	11,361
Dues & Subscriptions	17,079	3,014		3,014	20,093
Hiring Costs	11,057			-	11,057
Insurance - Casualty	3,655	3,363		3,363	7,018
Insurance - Employee	57,054	1,988	1,388	3,376	60,430
Office Supplies	1,263	1,264		1,264	2,527
Payroll	491,699	17,129	11,960	29,089	520,788
Professional Fees	5,552	-	-	-	5,552
Taxes - Payroll	34,337	1,196	835	2,031	36,368
Telephone	5,846	1,949		1,949	7,795
Volunteer Appreciation	-	1,434		1,434	1,434
Total Costs	$894,553	$36,835	$15,738	$52,573	$947,126

Special Abilities of North Texas, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets		(61,138)
Adjustments to Reconcile Increase in Net Assets		
to Net Cash Provided by Operating Activities:		
Depreciation	11,361	
(Increase) / Decrease In Program Receivables	4,977	
(Increase) / Decrease in Prepaid Expenses	(3,952)	
Decrease / (Increase) in Accounts Payable	9,739	
Decrease / (Increase) in Accrued Payables	1,727	
Decrease / (Increase) in Accrued Payroll	2,982	
Total Adjustments		26,834
Net Cash Provided by Operating Activities		(34,304)
Cash Flows From Investing Activities		
Equipment Acquisition	-	-
Cash Flows From Financing Activities:		
Affiliates Notes Receivable Payments	1,750	
Equipment Financing / (Payments)	(12,852)	
SBA - EIDL Loan Increase	1,996	
Net Cash Decreased in Investing Activities		(9,106)
Net Increase in Cash		(43,410)
Cash, Beginning of Year		106,694
Cash, End of Year		63,284

The accompanying notes are an integral part of these financial statements.

Special Abilities of North Texas, Inc.
Statement of Liquidity Disclosure
For the Year Ended December 31, 2022

Cash and Cash Equivalents	63,284
Program Receivables	63,355
Related Party Receivables	12,872
Total Available Funds	139,511
Vendor Payable - Year End	44,300
Net Liquidity Available for Operations	95,211
Less Guaranteed Payments:	
12 Monthly Auto Loan Pmts	6,242
12 Monthly Facility Rent Pmts	81,655
12 Monthly SBA EIDL Pmts	7,692
Total Annual Guaranteed Payments	95,589
Available Year End Liquidity	(378)

The accompanying notes are an integral part of these financial statements.

Note 1 – Mission:

Empower adults with Intellectual and Developmental Disabilities (IDD) through individualized skills and socialization support. Our Mission is to provide the highest quality care, training, and support to adults with developmental disabilities, giving them opportunities to succeed in life, family, and the community. We prioritize offering inclusive activities to people with varying disabilities and needs. We serve adults aged 18 and up with diagnoses including down syndrome, autism, cerebral palsy, and other developmental disabilities. The clients we serve are deserving of a name that fits just how hard they work, how talented they are, and how much potential each person has. We believe that every person, regardless of diagnosis, disability, or circumstance, can excel with the support of their loved ones, staff, and the community. That is why we call them ACEs – Adults Creating Excellence.

Note 2 – Programs:

Special Abilities of North Texas ("Special Abilities") offers support to the ACEs:

Community Inclusion and Social Development: We believe strongly that each citizen with special needs has the right to be an accepted and productive member of the community. Our ACEs frequently attend local events and activities, and volunteer with public organizations. These include museums, zoos, festivals, libraries, and sporting events to name a few.

Home and Independent Living Skills: Seeking independence is a part of life for every human being. Through this program, ACEs are trained in home living, money management, communications, public transportation, shopping, personal care and more.

Pre-vocational and Vocational Training: This program creates an opportunity for ACEs to develop and improve their vocational abilities. Examples include customer service, clerical work such as filing and computer skills, custodial maintenance, and inventory control.

Creative Arts: In this program ACEs learn through igniting their creativity. In addition to creating beautiful works of art, motor skills are honed, and hidden talents are discovered.

Health and Fitness: This program is dedicated to educating ACEs about ways to maintain and improve their overall health, in mind and body. ACEs participate in physical training exercises that match their abilities and learn about healthy nutrition through engaging activities.

<u>Note 3 – Organization and Nature of Operations</u>:
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.

<u>Note 4 - Program Locations</u>:
Services are provided at 1511 Justin Road, Suite B, Lewisville, Texas. A second location in Flower Mound, Texas was closed during Covid 19 and may be opened after the Lewisville location reaches capacity.

<u>Note 5 – Financial Support</u>:
As a charitable nonprofit, Special Abilities relies on community support. These include fundraising events, public charitable donations, individual contributions, and grants. Funding for client services is provided by (1) HCS, (2) CLASS funds, (3) Texas Home Living (TXHML) and, (4) private payments.

<u>Note 6 – Accomplishments of SANT</u>:
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 of age. SANT provides training and support for adults with diagnoses such as Autism, Down Syndrome, Cerebral Palsy, brain trauma and other disabilities. The level of need for the clients attending SANT ranges 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.

<u>Note 7 – Delinquent Client Payments</u>:
Some of Special Abilities client servicing fees are paid by the State of Texas through Texas Home Living organizations (TXHML). Special Abilities bills the TXHMLs and they in turn collect funds through the state. One of these organizations has fallen far behind on their reimbursements in the amount of $46,632. Legal action has been initiated, and we have contacted the state directly. We feel collection is inevitable, but to be conservative, an allowance for bad debts has been established. The

allowance had a significate impact on the 2022 financial results, as most of the loss was attributable to the allowance. When these funds are received the allowance will be reversed and Net Assets will be increased.

Note 8 – Summary of Significant Accounting Policies:

Basis of Presentation and Principles of Combination

The accompanying combined financial statements include only the accounts of Special Abilities of North Texas, Inc.

Financial Statement Presentation

The Organization presents its financial statements in accordance with Financial Accounting Standard Board (FASB) Accounting Standards Codification Not-for-Profit Entities (Topic 958) / Update No. 2016-14. Accordingly, the Organization reports information regarding its financial position and activities to two classes of net assets – net assets with donor restrictions and net assets without donor restrictions.

Net Assets with Donor Restrictions:

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 net assets with donor restrictions at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the statement of activities and changes in net assets without donor restrictions. The Organization had no net assets with donor restrictions as of December 31, 2022.

Contributions and Unconditional Promises to Give:

Contributions are recognized as revenue when received. Contributions that are restricted by the donor are reported as an increase in revenue but are recognized as net assets with donor restrictions on the statement of Financial Position. 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 that are due in more than one year are only recorded at fair value on the date received.

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 losses in such accounts and believes it is not exposed to any significant risk of loss on cash.

Program Receivables:

The Organization uses the direct write-off method on doubtful receivables. Program receivables are written off when deemed uncollectible by management. Bad debt recoveries are included in income as realized.

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 market value. There were no impairments of long-lived assets identified during the year ended December 31, 2022.

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 the 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 Functional Expenses, and Statement of Activities. 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, 2022. 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. No questionable tax positions were identified in the year ending December 31, 2022.

Advertising and Promotion:
Advertising and promotion costs are expensed as incurred. However, in calendar 2022 only $1,555 of advertising costs were incurred.

Note 9 – Leased Facility:

Special Abilities' Lewisville facility is provided by a commercial lease with a related entity, Special Abilities Foundation, Inc. (The Foundation). The Foundation was organized as exempt from federal income taxes under Section 501(c)(3). Special Abilities paid rent to The Foundation in 2022 of $69,967 under a 3-year lease agreement. Another facility is rented in Flower Mound from the Trietsch Memorial United Methodist Church on a month-to-month verbal agreement.

On January 1, 2018, Special Abilities executed a commercial lease with The Foundation covering its facility at 1511 Justin Road in Lewisville. The lease is for 3 years commencing on January 1, 2018, at a monthly rent of $5,777.63. After expiration, the lease is on a month-to-month basis at the same monthly rate. In June 2023, the lease was extended for an additional 3 years, but at a rate of $7,831.61 per month. The lease provides that in addition to rent Special Abilities will pay all insurance, utilities, repairs, and taxes. The annual direct rental payments to The Foundation have been as follows.

Calendar Year	Annual Rental Payments
2019	$69,332
2020	$52,227
2021	$69,620
2022	$69,967
Total	$261,146

Due to the Covid 19 shutdown, The Foundation abated the 2020 rent to Special Abilities by $17,105.

Note 10 – Notes Receivable from Affiliates:

In the transfer of the building to the Special Abilities Foundation, Special Abilities received a $155,760 non-interest-bearing note. At the end of 2017, the note balance was $22,599. The note was reduced to $14,622 as of December 31, 2018, through waived rent payments and expense adjustments. The note was paid down to $12,872 as of December 31, 2022.

Note 11 – Clients:

During 2022 Special Abilities provided much needed services to over 107 clients. Services were provided from a ¼ of a day to whole days. The 2022 client services billings were $389,858. Depending on the level of care needed for the client, the daily rates vary from $19.00 to $83.00. The services were provided from its only location in Lewisville Texas. After the Covid 19 shutdown, the Flower Mound, Texas facility has not been restarted.

Note 12 – 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 $
United Way of Denton County	$26,925
Vine Henrietta TX LLC	$8,000
Lewisville Noon Rotary	$7,500
Community Foundation of TX	$8,850
CoServ Foundation	$10,000
Giving Brands-Guys/Gals Who Give	$25,500
Other Individual & Company Donations	$323,015
2022 Donation Totals	$409,790

Note 13 – Equipment and Depreciation:

Special Abilities has $107,650 in equipment, furniture, fixtures, and autos. No equipment was acquired in 2022. Straight line depreciation is used with useful lives of 5, 7, and 15 years. During calendar year 2022 depreciation expense of $11,254 was recognized.

Note 14 – Fundraising Events:

In 2022 Special Abilities held a fundraising event: Denim, Diamonds, and Dice Gala. The total sponsorship contributions and patron payments totaled $102,568. The direct costs for the event were $13,912, which nets to a profitable fundraising event of $88,656.

Note 15 – Cares Act Funding:

Special Abilities applied for the PPP program under the Cares Act and received $112,100 on May 5, 2020. It also applied for the 2nd round of PPPs in 2021 and received $112,375. The 2020 & 2021 PPP advances were forgiven by amendments to the Cares Act in 2021. Special Abilities also applied for Employee Retention Credits (ERC) in 2020 and 2021. $104,125 in retention credits were received in 2021.

Note 16 – SBA EIDL Loan Funding:

During 2020 Special Abilities received an SBA EIDL loan of $150,000. The loan bears interest of 2.75% and the 1st required payment was made in January 2023 in the amount of $641. The loan did bear interest at the funding date but was deferred until 2023.

Note 17 – Covid 19 Pandemic:

Due to Covid 19, the services performed by Special Abilities of North Texas, Inc. (Special Abilities) shut down as of March 31, 2020. Services resumed on a limited basis in January 2021. But the billing for January 2021 was only $9,700 and in February 2021 $8,200. Full operations resumed in March 2021. Special Abilities' service billings for the last 5 years were:

Year	Annual Billings
2018	$502,692
2019	$703,352
2020	$136,266
2021	$308,749
2022	$389,858

Special Abilities of North Texas, Inc.
Donor Restriction Schedule
Calendar 2022

Donor	Restricted Funds as of 01/01/22	Restricted Funds Received in 2022	Restricted Funds Released in 2022	Restricted Funds as of 12/31/22
United Way of Denton County	-	26,925	26,925	-
Totals	-	26,925	26,925	-