

ABILITY360 AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2024 AND 2023



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ability360 and Subsidiary
Phoenix, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Ability360 and Subsidiary (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, 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.

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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Ability360 and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ability360 and Subsidiary's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

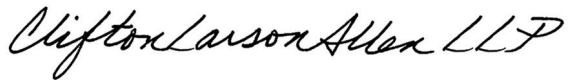
In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ability360 and Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ability360 and Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information in the consolidating statement of financial position and consolidating statement of activities is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, change in net assets, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and 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 audits 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

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

CliftonLarsonAllen LLP

Phoenix, Arizona
January 21, 2025

ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 24,250,628	\$ 17,514,693
Designated Cash	30,332	6,313
Certificates of Deposit	4,153,019	4,001,040
Accounts Receivable, Net	7,467,139	5,760,046
Contributions Receivable	188,324	140,678
Prepaid Expenses and Other Assets	174,647	271,935
Total Current Assets	36,264,089	27,694,705
INVESTMENTS	23,562,524	21,390,480
BENEFICIAL INTEREST IN ASSETS HELD FOR OTHERS	558,431	-
PROPERTY AND EQUIPMENT, Net	28,443,451	28,975,409
OPERATING LEASE RIGHT OF USE ASSET, Net	164,344	177,167
Total Assets	\$ 88,992,839	\$ 78,237,761
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 335,104	\$ 751,183
Accrued Payroll and Related Expenses	1,405,925	822,251
Compensated Absences Payable	353,716	331,751
Deferred Revenue	4,535,661	2,697,988
Operating Lease Liability	165,046	177,513
Other Liabilities	32,521	30,914
Total Current Liabilities	6,827,973	4,811,600
NET ASSETS		
Without Donor Restrictions	81,871,831	73,404,568
With Donor Restrictions	293,035	21,593
Total Net Assets	82,164,866	73,426,161
Total Liabilities and Net Assets	\$ 88,992,839	\$ 78,237,761

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Home Care Services	\$ 46,315,874	\$ -	\$ 46,315,874
Grants	1,684,180	-	1,684,180
Contributions and Donations	5,628,258	358,779	5,987,037
Program Income	451,660	-	451,660
Interest and Dividends	1,294,062	-	1,294,062
Unrealized Gain on Investments	2,087,200	-	2,087,200
Realized Gain on Investments	119,601	-	119,601
Rental Income	486,988	-	486,988
Change in Value of Beneficial Interest	58,431	-	58,431
Other	220,738	-	220,738
Total Support and Revenue Before Net Assets Released from Restrictions	58,346,992	358,779	58,705,771
Net Assets Released from Restrictions	87,337	(87,337)	-
Total Support and Revenue	58,434,329	271,442	58,705,771
EXPENSES			
Program Services			
Personal Assistant Services	39,955,177	-	39,955,177
Community Integration	5,944,159	-	5,944,159
Support Services			
Administration	4,067,730	-	4,067,730
Total Expenses	49,967,066	-	49,967,066
CHANGES IN NET ASSETS	8,467,263	271,442	8,738,705
Net Assets - Beginning of Year	73,404,568	21,593	73,426,161
NET ASSETS - END OF YEAR	\$ 81,871,831	\$ 293,035	\$ 82,164,866

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Home Care Services	\$ 42,446,546	\$ -	\$ 42,446,546
Grants	1,657,224	-	1,657,224
Contributions and Donations	7,281,773	24,380	7,306,153
Program Income	409,813	-	409,813
Interest and Dividends	561,205	-	561,205
Unrealized Gain on Investments	1,533,186	-	1,533,186
Realized Loss on Investments	(364,033)	-	(364,033)
Rental Income	493,590	-	493,590
Other	129,069	-	129,069
Total Support and Revenue Before Net Assets Released from Restrictions	<u>54,148,373</u>	<u>24,380</u>	<u>54,172,753</u>
Net Assets Released from Restrictions	<u>159,564</u>	<u>(159,564)</u>	<u>-</u>
Total Support and Revenue	54,307,937	(135,184)	54,172,753
EXPENSES			
Program Services			
Personal Assistant Services	40,278,431	-	40,278,431
Community Integration	5,328,174	-	5,328,174
Support Services			
Administration	<u>3,458,628</u>	<u>-</u>	<u>3,458,628</u>
Total Expenses	<u>49,065,233</u>	<u>-</u>	<u>49,065,233</u>
CHANGES IN NET ASSETS	5,242,704	(135,184)	5,107,520
Net Assets - Beginning of Year	<u>68,161,864</u>	<u>156,777</u>	<u>68,318,641</u>
NET ASSETS - END OF YEAR	<u>\$ 73,404,568</u>	<u>\$ 21,593</u>	<u>\$ 73,426,161</u>

See accompanying Notes to Consolidated Financial Statements.

ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services			Support Services	Total Expenses
	Personal Assistant Services	Community Integration	Total Program Services	Administration	
Salaries and Related Payroll Expense	\$ 38,381,863	\$ 2,413,019	\$ 40,794,882	\$ 1,599,606	\$ 42,394,488
Home Modification Costs	-	1,109,917	1,109,917	-	1,109,917
Office Expenses and Postage	86,971	26,216	113,187	22,768	135,955
Training and Tuition	12,068	9,431	21,499	110,048	131,547
Public Relations/Information	1,077	162,292	163,369	90,777	254,146
Professional Services	27,696	10,012	37,708	71,932	109,640
Occupancy and Communications	373,202	691,293	1,064,495	136,554	1,201,049
Insurance	88,700	59,490	148,190	39,336	187,526
Equipment Rental and Repairs	530,954	153,071	684,025	220,533	904,558
Travel and Mileage	64,344	17,726	82,070	5,299	87,369
Printing and Publications	14,412	18,185	32,597	4,365	36,962
Interest and Bank Charges	-	-	-	208,454	208,454
Other Expenses	237,713	1,137,330	1,375,043	56,286	1,431,329
Building Expenses	-	-	-	512,033	512,033
Bad Debt Expense	-	-	-	436,778	436,778
Depreciation	136,177	136,177	272,354	552,961	825,315
Total Functional Expenses	<u>\$ 39,955,177</u>	<u>\$ 5,944,159</u>	<u>\$ 45,899,336</u>	<u>\$ 4,067,730</u>	<u>\$ 49,967,066</u>

See accompanying Notes to Consolidated Financial Statements.

ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services			Support Services	Total Expenses
	Personal Assistant Services	Community Integration	Total Program Services	Administration	
Salaries and Related Payroll Expense	\$ 38,626,853	\$ 2,750,274	\$ 41,377,127	\$ 1,238,009	\$ 42,615,136
Home Modification Costs	-	778,632	778,632	-	778,632
Office Expenses and Postage	97,460	18,484	115,944	-	115,944
Training and Tuition	8,491	14,742	23,233	41,756	64,989
Public Relations/Information	9,864	114,750	124,614	76,254	200,868
Professional Services	31,724	9,038	40,762	37,810	78,572
Occupancy and Communications	415,850	412,014	827,864	135,769	963,633
Insurance	86,906	8,294	95,200	37,776	132,976
Equipment Rental and Repairs	528,094	134,971	663,065	191,399	854,464
Travel and Mileage	53,037	16,989	70,026	3,391	73,417
Printing and Publications	24,223	10,618	34,841	3,296	38,137
Interest and Bank Charges	-	-	-	184,440	184,440
Other Expenses	259,484	922,923	1,182,407	26,753	1,209,160
Building Expenses	-	-	-	660,860	660,860
Bad Debt Expense	-	-	-	267,066	267,066
Depreciation	136,445	136,445	272,890	554,049	826,939
Total Functional Expenses	<u>\$ 40,278,431</u>	<u>\$ 5,328,174</u>	<u>\$ 45,606,605</u>	<u>\$ 3,458,628</u>	<u>\$ 49,065,233</u>

See accompanying Notes to Consolidated Financial Statements.

ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 8,738,705	\$ 5,107,520
Adjustments to Reconcile Changes in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	825,315	826,939
Bad Debt Expense	436,778	267,066
Gain on Sale of Property and Equipment	(700)	-
Change in Beneficial Interest Held by Others	(58,431)	-
Net Realized and Unrealized Gain on Investments	(2,206,801)	(1,169,153)
Amortization of Operating Right of Use Lease Assets	67,149	126,662
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	(2,143,871)	375,709
Contributions Receivable	(47,646)	349,654
Prepaid Expenses and Other Assets	97,292	2,175
Accounts Payable	(416,079)	496,923
Accrued Payroll and Related Expenses	583,674	(1,441,304)
Compensated Absences Payable	21,965	26,153
Deferred Revenue	1,837,673	(2,366,013)
Operating Lease Liabilities	(66,793)	(126,316)
Other Liabilities	1,603	4,524
Net Cash Provided by Operating Activities	7,669,833	2,480,539
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Certificates of Deposit	(151,979)	(4,001,040)
Purchases of Investments	(4,770,545)	(8,556,591)
Purchase of Beneficial Interest in Assets Held by Others	(500,000)	-
Proceeds from Sale of Investments	4,805,302	3,192,476
Proceeds from sale of property and equipment	700	-
Purchases of Property and Equipment	(293,357)	(1,322,135)
Net Cash Used by Investing Activities	(909,879)	(10,687,290)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,759,954	(8,206,751)
Cash and Cash Equivalents - Beginning of Year	17,521,006	25,727,757
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 24,280,960	\$ 17,521,006
CASH AND CASH EQUIVALENTS CONSIST OF		
Cash and Cash Equivalents	\$ 24,250,628	\$ 17,514,693
Designated Cash	30,332	6,313
Cash and Cash Equivalents - End of Year	\$ 24,280,960	\$ 17,521,006
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 54,326	\$ 303,829

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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 interorganizational 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, 2024 AND 2023

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, 2024 AND 2023

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions 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. All contributions receivable are due within the next twelve months as of June 30, 2024.

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.

Leases

Ability360 determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets – operating and lease liability – operating, and finance leases are included in ROU assets – financing and lease liability – financing in the statements of financial position.

ROU assets represent the Ability360's right to use an underlying asset for the lease term and lease liabilities represent the Ability360's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Ability360 will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease terms. Ability360 has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, Ability360 has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Ability360 has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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, 2024 and 2023.

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

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, 2024 and 2023 conditional contributions approximating \$5.3 million and \$35 million, respectively, have not been recognized in the accompanying financial statements.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Home Care Services Revenue

Home care services revenue is reported at the amount that reflects the consideration to which Ability360 expects to be entitled in exchange for providing client care. These amounts are due from clients, third-party payors (including health insurers and government payors), and others. Generally, Ability360 bills the clients and third-party after the services are performed. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Ability360. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Ability360 believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Generally, performance obligations satisfied over time relate to clients receiving services in Ability360's behavioral health and medical/therapy programs, which includes a majority of the Organization's charges for services revenue.

Ability360 determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors or the established rates of the government entities. Ability360 determines its estimate of implicit price concessions based on its historical collection experience with clients.

Generally, clients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Ability360 estimates the transaction price for clients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to client service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended June 30, 2024 and 2023. Subsequent changes that are determined to be the result of an adverse change in the client's ability to pay are recorded as bad debt expense.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicaid, managed care or other insurance, client) have different reimbursement/payment methodologies
- Length of the client's service of care
- Method of reimbursement (fee for service or capitation)
- Organization's line of business that provided the service

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

Ability360 qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) 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 IRC.

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.

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:

	2024	2023
Cash on Hand	\$ 647	\$ 647
Checking Account Balances	24,030,186	17,299,631
Money Market Funds	219,795	214,415
Total Cash and Cash Equivalents	\$ 24,250,628	\$ 17,514,693

Adoption of Accounting Pronouncement

The Organization has adopted Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The Organization adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard did not have a material impact on the Organization's financial statements but did change how the allowance for credit losses is determined.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

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. Ability360 has ample cash and investments to cover operating expenses.

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:

	2024	2023
Cash and Cash Equivalents	\$ 24,250,628	\$ 17,514,693
Certificates of Deposit	4,153,019	4,001,040
Accounts Receivable, Net	7,467,139	5,760,046
Contributions Receivable	188,324	140,678
Investments (Excluding ACF)	22,196,460	19,637,255
Less: Funds with Donor-Imposed Restrictions	(293,035)	(21,593)
Total	<u>\$ 57,962,535</u>	<u>\$ 47,032,119</u>

NOTE 3 ACCOUNTS RECEIVABLE

Ability360 receives a substantial amount of revenue from Home Care Services Revenue. Ability360's accounts receivable associated with Home Care Services Revenue at June 30 consist of the following:

	2024	2023
Mercy Care	\$ 4,272,135	\$ 2,978,025
Banner University Family Care	634,271	344,671
United Healthcare Community Plan	1,263,881	1,029,122
Division of Developmental Disabilities	787,946	1,288,657
Other	595,265	326,764
Total	7,553,498	5,967,239
Less: Allowance for Credit Losses	(86,359)	(207,193)
Accounts Receivable, Net	<u>\$ 7,467,139</u>	<u>\$ 5,760,046</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, 2024 AND 2023

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.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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 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:

	2024			Assets Not Held at	
	Level 1	Level 2	Level 3	Fair Value	Total
Assets					
Investments					
Fixed Income	\$ -	\$ 1,409,192	\$ -	\$ -	\$ 1,409,192
Equity	5,657,371	-	-	-	5,657,371
Mutual Funds	12,330,318	-	-	-	12,330,318
Exchange-Traded Funds	2,398,296	-	-	-	2,398,296
Pooled Investments					
Arizona Community Foundation	-	-	1,366,064	-	1,366,064
Cash and Cash Equivalents	-	-	-	401,283	401,283
Total Investments	20,385,985	1,409,192	1,366,064	401,283	23,562,524
Beneficial Interest Held by Others	-	-	558,431	-	558,431
Total Assets	<u>\$ 20,385,985</u>	<u>\$ 1,409,192</u>	<u>\$ 1,924,495</u>	<u>\$ 401,283</u>	<u>\$ 24,120,955</u>

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	2023				
	Level 1	Level 2	Level 3	Assets Not	Total
				Held at Fair Value	
Assets					
Investments					
Fixed Income	\$ -	\$ 1,052,828	\$ -	\$ -	\$ 1,052,828
Equity	4,903,950	-	-	-	4,903,950
Mutual Funds	11,563,188	-	-	-	11,563,188
Exchange-Traded Funds	1,850,775	-	-	-	1,850,775
Pooled Investments					
Arizona Community Foundation	-	-	1,753,225	-	1,753,225
Cash and Cash Equivalents	-	-	-	266,514	266,514
Total Investments	<u>\$ 18,317,913</u>	<u>\$ 1,052,828</u>	<u>\$ 1,753,225</u>	<u>\$ 266,514</u>	<u>\$ 21,390,480</u>

Purchases, sales, transfers in and transfers out of Level 3 investments consist of the following for the years ended June 30:

	2024	2023
Purchases	\$ 106,954	\$ 172,970
Sales	116,951	150,671
Transfers In	500,000	-
Transfer Out	500,000	-

NOTE 5 BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization transferred funds to Arizona Community Foundation (ACF) to establish a Board Designated Endowment Fund during the year. Distributions from earnings will be made by ACF to the Organization based on ACF's spending policies. The Organization's beneficial interest in this fund held by ACF is \$558,431 and \$-0- as of June 30, 2024 and 2023, respectively.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 942,662	\$ 942,662
Buildings	36,021,088	36,021,088
Swimming Pool	984,951	984,951
Furniture, Equipment, and Vehicles	2,532,254	2,421,656
Leasehold Improvements	2,935,817	2,935,817
Construction in Progress	186,939	5,000
Total	<u>43,603,711</u>	<u>43,311,174</u>
Less: Accumulated Depreciation and Amortization	<u>(15,160,260)</u>	<u>(14,335,765)</u>
Property and Equipment, Net	<u>\$ 28,443,451</u>	<u>\$ 28,975,409</u>

Depreciation and amortization expense charged to operations was \$825,315 and \$826,939 for the years ended June 30, 2024 and 2023, respectively.

NOTE 7 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 \$486,988 and \$493,588 for the years ended June 30, 2024 and 2023, respectively.

The rental revenue is included in the following table. The future minimum rental income under these operating leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 359,377
2026	293,414
2027	256,950
2028	234,070
2029	84,374
Total	<u>\$ 1,228,185</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 2024.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 8 LEASES

Ability360 leases office space and office equipment under the provisions of noncancelable operating leases. The leases expire at various dates through fiscal year 2029.

The following tables provide quantitative information concerning Ability360's leases.

	<u>2024</u>
Lease Cost	
Operating Lease Cost	\$ 108,670
Short-term Lease Cost	42,754
Total Lease Cost	<u>\$ 151,424</u>

Other Information	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 108,670
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ 54,326
Weighted Average Remaining Lease Term - Operating Leases	2.4 Years
Weighted-Average Discount Rate - Operating Leases	3.42%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2024, is as follows:

<u>Year Ending August 31</u>	<u>Operating Leases</u>
2025	\$ 111,198
2026	26,253
2027	13,076
2028	12,156
2029	10,130
Total Lease Payments	172,813
Less: Imputed Interest	(7,767)
Present Value of Lease Liabilities	<u>\$ 165,046</u>

NOTE 9 NET ASSETS

Net Assets Without Donor Restrictions

Board-designated net assets consist of \$558,431 and \$-0- at June 30, 2024 and 2023, respectively.

Net Assets With Donor Restrictions

Net assets with donor restrictions were \$293,035 and \$21,593 as of June 30, 2024 and 2023, respectively. The restrictions are subject to expenditure for the purpose of Team 360 Sports and Fitness.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 9 NET ASSETS (CONTINUED)

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 were \$87,337 and \$159,564 as of June 30, 2024 and 2023, respectively.

NOTE 10 PROGRAM SERVICE REVENUE, RECEIVABLE, AND DEFERRED REVENUE

The following table provides information about significant changes in the accounts receivables for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Accounts Receivable - Beginning	\$ 5,811,863	\$ 6,592,203
Increases (Decreases) In Accounts Receivables Due to Services Performed but Uncollected	<u>1,449,869</u>	<u>(780,340)</u>
Accounts Receivable - Ending	<u><u>\$ 7,261,732</u></u>	<u><u>\$ 5,811,863</u></u>

The following table provides information about significant changes in the deferred revenue for the year ended June 30:

	<u>2024</u>	<u>2023</u>
Deferred Revenue - Beginning	\$ 2,697,988	\$ 5,064,001
Net Increases (Decreases) in Deferred Revenue Due to Funds Collected (Used) for Services to be Performed	<u>1,837,673</u>	<u>(2,366,013)</u>
Deferred Revenue - Ending	<u><u>\$ 4,535,661</u></u>	<u><u>\$ 2,697,988</u></u>

NOTE 11 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 12 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, 2024 and 2023. Ability360's retirement plan expense was \$143,737 and \$133,026 for the years ended June 30, 2024 and 2023, respectively.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 13 CONCENTRATION RISK

Ability360 received 79% and 82% of their revenue from two government contracts for the year ended June 30, 2024 and 2023, respectively.

Approximately 85% and 89% of the accounts receivable balance is due from three government contracts as of June 30, 2024 and 2023, respectively.

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, 2024 and 2023, a portion of cash balances at financial institutions exceeded the balance insured by the FDIC.

NOTE 14 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.

NOTE 15 SUBSEQUENT EVENTS

We have evaluated subsequent events through January 21, 2025, the date the consolidated financial statements were available to be issued.

In December 2024, Ability360 entered into a contract for construction services for an underground retention tank replacement. The noncancellable commitments for this contract amounted to approximately \$2,000,000.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024
(SEE INDEPENDENT AUDITORS' REPORT)**

	Ability360	ABIL Development, LLC	Eliminations	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 24,243,767	\$ 6,861	\$ -	\$ 24,250,628
Designated Cash	30,332	-	-	30,332
Certificates of Deposit	4,153,019	-	-	4,153,019
Accounts Receivable, Net	7,467,139	-	-	7,467,139
Contributions Receivable	188,324	-	-	188,324
Prepaid Expenses and Other Assets	174,647	-	-	174,647
Total Current Assets	<u>36,257,228</u>	<u>6,861</u>	<u>-</u>	<u>36,264,089</u>
INVESTMENTS	23,562,524	-	-	23,562,524
BENEFICIAL INTEREST IN ASSETS HELD FOR OTHERS	558,431	-	-	558,431
PROPERTY AND EQUIPMENT, Net	11,215,097	17,228,354	-	28,443,451
OPERATING LEASE RIGHT OF USE ASSET, Net	164,344	-	-	164,344
INVESTMENT IN ABIL DEVELOPMENT, LLC	<u>17,233,777</u>	<u>-</u>	<u>(17,233,777)</u>	<u>-</u>
Total Assets	<u>\$ 88,991,401</u>	<u>\$ 17,235,215</u>	<u>\$ (17,233,777)</u>	<u>\$ 88,992,839</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 334,116	\$ 988	\$ -	\$ 335,104
Accrued Payroll and Related Expenses	1,405,925	-	-	1,405,925
Compensated Absences Payable	353,716	-	-	353,716
Deferred Revenue	4,535,661	-	-	4,535,661
Operating Lease Liability	165,046	-	-	165,046
Other Liabilities	32,521	-	-	32,521
Total Current Liabilities	<u>6,826,985</u>	<u>988</u>	<u>-</u>	<u>6,827,973</u>
NET ASSETS				
With Donor Restrictions	81,871,381	17,234,227	(17,233,777)	81,871,831
Without Donor Restrictions	293,035	-	-	293,035
Total Net Assets	<u>82,164,416</u>	<u>17,234,227</u>	<u>(17,233,777)</u>	<u>82,164,866</u>
Total Liabilities and Net Assets	<u>\$ 88,991,401</u>	<u>\$ 17,235,215</u>	<u>\$ (17,233,777)</u>	<u>\$ 88,992,839</u>

**ABILITY360 AND SUBSIDIARY
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024
(SEE INDEPENDENT AUDITORS' REPORT)**

	Ability360	ABIL Development, LLC	Eliminations	Total
SUPPORT AND REVENUE				
Home Care Services	\$ 46,315,874	\$ -	\$ -	\$ 46,315,874
Grants	1,684,180	-	-	1,684,180
Contributions and Donations	5,987,037	-	-	5,987,037
Program Income	451,660	-	-	451,660
Interest and Dividends	1,294,062	-	-	1,294,062
Unrealized Gain on Investments	2,087,200	-	-	2,087,200
Realized Gain on Investments	119,601	-	-	119,601
Rental Income	69,732	417,256	-	486,988
Loss on Investment in Subsidiary	(428,724)	-	428,724	-
Change in Value of Beneficial Interest	58,431	-	-	58,431
Other	220,738	-	-	220,738
Total Support and Revenue	<u>57,859,791</u>	<u>417,256</u>	<u>428,724</u>	<u>58,705,771</u>
EXPENSES, GAINS, AND LOSSES				
Program Service				
Home Care Services	39,955,177	-	-	39,955,177
Community Integration	5,616,493	327,666	-	5,944,159
Support Services:				
Administration	3,549,866	517,864	-	4,067,730
Total Expenses	<u>49,121,536</u>	<u>845,530</u>	<u>-</u>	<u>49,967,066</u>
CHANGES IN NET ASSETS	8,738,255	(428,274)	428,724	8,738,705
CAPITAL DISTRIBUTION	-	(2,985)	2,985	-
Net Assets - Beginning of Year	<u>73,426,161</u>	<u>17,665,486</u>	<u>(17,665,486)</u>	<u>73,426,161</u>
NET ASSETS - END OF YEAR	<u>\$ 82,164,416</u>	<u>\$ 17,234,227</u>	<u>\$ (17,233,777)</u>	<u>\$ 82,164,866</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 (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2024, 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 January 21, 2025.

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) as a basis for designing 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 were not 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
January 21, 2025



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