

Ability Resources, Inc.

Financial Statements and
Independent Auditor's Report

September 30, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors
Ability Resources, Inc.

We have audited the accompanying financial statements of Ability Resources, Inc. (an Oklahoma not-for-profit corporation), which comprise the statements of financial position as of September 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ability Resources, Inc. as of September 30, 2016 and 2015, 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.

Stanfield + O'Dell, P.C.

Tulsa, Oklahoma
January 17, 2017

Ability Resources, Inc.

Statements of Financial Position

September 30,

	2016	2015
Assets		
Cash and cash equivalents	\$ 194,636	\$ 139,081
Certificates of deposit	329,981	296,649
Accounts receivable	92,007	80,255
Prepaid expenses	3,636	9,703
Revolving loan funds:		
Loan receivable	363	151
Cash	6,004	6,201
Equipment	132,195	132,195
Less accumulated depreciation	128,222	121,785
Net equipment	3,973	10,410
Total assets	<u>\$ 630,600</u>	<u>\$ 542,450</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	<u>\$ 89,032</u>	<u>\$ 87,439</u>
Net assets		
Unrestricted	535,201	448,659
Temporarily restricted	6,367	6,352
	<u>541,568</u>	<u>455,011</u>
Total liabilities and net assets	<u>\$ 630,600</u>	<u>\$ 542,450</u>

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

Ability Resources, Inc.

Statements of Activities

Years Ended September 30,

	2016	2015
Changes in unrestricted net assets		
Revenues:		
Fees for services	\$ 1,129,910	\$ 1,049,994
Grants	363,099	408,026
Contributions	60,629	53,532
Other income	13,055	13,325
Investment return	3,355	3,794
Net assets released from restrictions	-	-
Total revenue and support	1,570,048	1,528,671
Expenses:		
Program services:		
Case management	1,047,954	1,093,226
Independent living services	266,786	226,435
Total program services	1,314,740	1,319,661
Supporting services:		
Management and general	147,843	149,087
Fundraising	20,923	28,318
Total supporting services	168,766	177,405
Total expenses	1,483,506	1,497,066
Increase in unrestricted net assets	86,542	31,605
Change in temporarily restricted net assets		
Interest income	15	14
Net assets released from restrictions	-	-
Increase in temporarily restricted net assets	15	14
Increase in net assets	86,557	31,619
Net assets, beginning of year	455,011	423,392
Net assets, end of year	\$ 541,568	\$ 455,011

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

Ability Resources, Inc.

Statement of Functional Expenses

Year Ended September 30, 2016

	Case Management	Independent Living Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Expenses:							
Salaries	\$ 256,335	\$ 163,345	\$ 419,680	\$ 105,315	\$ 16,095	\$ 121,410	\$ 541,090
Payroll taxes and fringe benefits	37,396	23,830	61,226	15,364	2,348	17,712	78,938
Reasonable accommodations	191	-	191	-	-	-	191
Materials and office supplies	3,127	4,482	7,609	716	109	825	8,434
Rent and other occupancy costs	23,586	42,563	66,149	14,201	1,632	15,833	81,982
Telephone	2,432	2,345	4,777	588	90	678	5,455
Depreciation	2,832	2,961	5,793	644	-	644	6,437
Publications and periodicals	-	548	548	159	-	159	707
Printing and duplication	4,245	1,216	5,461	305	47	352	5,813
Travel	2,119	1,589	3,708	395	60	455	4,163
Consulting services	714,700	21,597	736,297	10,150	-	10,150	746,447
Fundraising	-	-	-	-	542	542	542
Consumer assistance	-	70	70	-	-	-	70
Miscellaneous	991	2,240	3,231	6	-	6	3,237
Total expenses	\$ 1,047,954	\$ 266,786	\$ 1,314,740	\$ 147,843	\$ 20,923	\$ 168,766	\$ 1,483,506

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

Ability Resources, Inc.

Statement of Functional Expenses

Year Ended September 30, 2015

	Case Management	Independent Living Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses
Expenses:							
Salaries	\$ 401,077	\$ 121,730	\$ 522,807	\$ 108,289	\$ 21,726	\$ 130,015	\$ 652,822
Payroll taxes and fringe benefits	55,616	16,880	72,496	15,016	3,012	18,028	90,524
Reasonable accommodations	386	-	386	-	-	-	386
Materials and office supplies	1,124	4,340	5,464	377	94	471	5,935
Rent and other occupancy costs	17,488	47,615	65,103	13,929	2,442	16,371	81,474
Telephone	2,575	3,314	5,889	900	170	1,070	6,959
Depreciation	5,099	5,331	10,430	1,159	-	1,159	11,589
Publications and periodicals	-	221	221	34	-	34	255
Printing and duplication	4,145	1,335	5,480	276	55	331	5,811
Travel	4,469	3,328	7,797	689	138	827	8,624
Consulting services	603,033	21,362	624,395	7,994	-	7,994	632,389
Fundraising	-	-	-	-	495	495	495
Consumer assistance	(1,971)	37	(1,934)	-	-	-	(1,934)
Miscellaneous	185	942	1,127	424	186	610	1,737
Total expenses	\$ 1,093,226	\$ 226,435	\$ 1,319,661	\$ 149,087	\$ 28,318	\$ 177,405	\$ 1,497,066

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

Ability Resources, Inc.

Statements of Cash Flows

Years Ended September 30,

	2016	2015
Cash flows from operating activities		
Increase in net assets	\$ 86,557	\$ 31,619
Adjustments to reconcile net increase in net assets to net cash provided by operating activities:		
Depreciation expense	6,437	11,589
(Increase) decrease in:		
Accounts receivable	(11,964)	15,581
Prepaid expenses	6,067	2,012
Increase in:		
Accounts payable and accrued expenses	1,593	16,276
Cash provided by operating activities	88,690	77,077
Cash flows from investing activities		
Proceeds from matured certificates of deposit	103,036	210,871
Purchases of certificates of deposit	(136,368)	(296,649)
Cash used in investing activities	(33,332)	(85,778)
Net increase (decrease) in cash	55,358	(8,701)
Cash and cash equivalents at beginning of year	145,282	153,983
Cash and cash equivalents at end of year	\$ 200,640	\$ 145,282

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

Notes to Financial Statements

September 30, 2016 and 2015

Note A - Nature of Operations and Summary of Accounting Policies

1. *Nature of Operations*

Ability Resources, Inc. (the Organization) provides services for people with disabilities to gain effective control and direction of their lives. The Organization is located in Tulsa, Oklahoma and provides services in northeastern Oklahoma. Oklahoma Aging & Disability Alliance, LLC was formed in October 2015 with Ability Resources, Inc. as its sole member. There was no activity for Oklahoma Aging & Disability Alliance during the year ended September 30, 2016. Revenue is derived from program income, federal and private grants, and contributions. Programs maintained by the Organization consist of:

Case Management - Case management coordinates services an individual needs in order to stay in their home (or with family) as long as possible to prevent premature entry into a nursing home. Case managers assist consumers in gaining access to needed waiver and other state plan services, as well as needed medical, social, educational and other services, regardless of the funding sources for the services to which access is gained. Case managers are responsible for ongoing monitoring of the provision of services included in the recipient's plan of care. Additionally, case managers initiate and oversee the process of assessment and reassessment of recipient level of care and the review of plans of care.

Independent Living Services - Services include information and referral, counseling, individual and systems advocacy, skills training, options counseling, accessibility surveys, locating emergency food, shelter and medications. Information and assistance is provided to assist persons with disabilities in living independently in the environment of their choice. In addition to information and referral, counselors provide individual and systems advocacy, independent living skills training (such as money management, time management, attendant management, etc.) and peer counseling. Counselors assist consumers in locating durable medical equipment, emergency food, shelter and medications; applying for Social Security benefits and in appealing for claims that have been denied. In addition, counselors provide information on disability law, such as Americans with Disabilities Act and the Fair Housing Act.

2. *Basis of Accounting*

The financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned rather than when received and expenses are recorded when an obligation is incurred rather than when paid.

Notes to Financial Statements

September 30, 2016 and 2015

Note A - Nature of Operations and Summary of Accounting Policies - Continued

3. Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets, depending on the existence or nature of any donor restrictions.

As of September 30, 2016 and 2015, there were no permanently restricted net assets.

4. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

5. Cash Equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. From time-to-time, during the normal course of business, some funds may be in excess of Federal Deposit Insurance Corporation's (FDIC) coverage; however, the Organization does not consider this to be a significant risk.

6. Certificates of Deposit

Certificates of deposit at September 30, 2016, with original maturity dates greater than 90 days, totaled \$329,981 and mature between October 2016 and May 2019.

7. Equipment

Assets over \$500 and a useful life of longer than one year are capitalized. Equipment is stated at cost, and equipment contributed is recorded at the estimated market value at the date of contribution. Depreciation of equipment is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of five to seven years on a straight-line basis.

8. Income Taxes

Ability Resources, Inc. has been granted an exemption for federal income tax purposes under Section 501(c)(3) of the Internal Revenue Code and has not been classified as a private foundation. The Organization's federal Exempt Organization Business Income Tax Returns (Form 990T) are subject to examination by the IRS for three years after the date filed.

Notes to Financial Statements

September 30, 2016 and 2015

Note A - Nature of Operations and Summary of Accounting Policies - Continued

9. Revenue Recognition

Fees for services are recognized as earned when the related services have been performed.

Grant revenues are considered earned when allowable costs are incurred or expended. A liability is recognized for grant receipts in excess of revenues earned.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases 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. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 17, 2017, the date the financial statements were available to be issued.

Note B – Accounts Receivable

Accounts receivable consisted of the following at September 30:

	2016	2015
Case management fees	\$ 79,885	\$ 67,338
Grants	12,122	12,917
	<u>\$ 92,007</u>	<u>\$ 80,255</u>

Note C - Contingencies and Commitments

Ability Resources, Inc. receives a significant amount of its revenue in the form of grant funds from various federal and state agencies. The grant programs are subject to audit by the awarding agency, the purpose of which is to insure compliance with conditions precedent to the awarding of funds. Liabilities for reimbursement, which may arise as the result of audits of grant funds in the opinion of management, if any, would not be material.

The Organization leases office space. The lease provides for monthly rental payments of \$6,200 through September 2017. The aggregate minimum annual rent commitment for 2017 is \$74,400. Rent expense for the years ended September 30, 2016 and 2015 was \$74,400 annually.

Ability Resources, Inc.

Notes to Financial Statements

September 30, 2016 and 2015

Note D - Net Assets

Unrestricted net assets consist of the following at September 30:

	2016	2015
Undesignated	\$ 531,228	\$ 438,249
Investment in equipment	3,973	10,410
	<u>\$ 535,201</u>	<u>\$ 448,659</u>

Temporarily restricted net assets consists of a loan program established through a United Way venture grant to provide low-interest loans to persons with disabilities to establish their own residences and more independent lifestyles.

Note E – Grant Revenue

Grant revenue consisted of the following for the years ended September 30:

	2016	2015
Department of Education	\$ 194,277	\$ 239,584
United Way	78,593	78,593
INCOG Area Agency on Aging	50,229	47,349
Independent Living Program	40,000	40,000
Aging and Disability Resource Consortium	-	2,500
	<u>\$ 363,099</u>	<u>\$ 408,026</u>

Note F - Retirement Plan

Ability Resources, Inc. provides a retirement plan to employees. The plan is a 403(b) tax sheltered annuity contract that is offered to all employees who have been working for six months. The Organization contributed 3 percent of an employee's annual salary to the plan in 2016 and 2015. The contribution for the years ended September 30, 2016 and 2015 was \$19,559 and \$18,147, respectively.