

ABILITY360 AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS
YEARS ENDED JUNE 30, 2021 AND 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAcconnect.com

**ABILITY360 AND SUBSIDIARY
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES	6
CONSOLIDATED STATEMENTS OF CASH FLOWS	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9
SINGLE AUDIT REPORTS	
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 <i>GOVERNMENT AUDITING STANDARDS</i>	22
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE	24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	27
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	29
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	30



INDEPENDENT AUDITORS' REPORT

Board of Directors
Ability360 and Subsidiary
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Ability360 and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ability360 and Subsidiary as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of Ability360 and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Ability360 and Subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ability360 and Subsidiary's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 18, 2021

ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 22,038,549	\$ 14,330,204
Designated Cash	81,430	88,944
Certificates of Deposit	2,024,600	7,072,184
Accounts Receivable, Net	8,571,284	6,880,251
Interest Receivable	37,614	135,485
Prepaid Expenses and Other Assets	196,569	162,846
Total Current Assets	<u>32,950,046</u>	<u>28,669,914</u>
INVESTMENTS	6,707,802	4,473,345
PROPERTY AND EQUIPMENT	<u>29,198,071</u>	<u>29,964,979</u>
Total Assets	<u><u>\$ 68,855,919</u></u>	<u><u>\$ 63,108,238</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 202,819	\$ 246,099
Accrued Payroll and Related Expenses	1,322,403	1,113,287
Compensated Absences Payable	344,722	307,815
Deferred Revenue	1,129,622	258,497
Other Liabilities	25,028	22,673
Total Current Liabilities	<u>3,024,594</u>	<u>1,948,371</u>
NET ASSETS		
Without Donor Restrictions	65,734,141	61,018,825
With Donor Restrictions	97,184	141,042
Total Net Assets	<u>65,831,325</u>	<u>61,159,867</u>
Total Liabilities and Net Assets	<u><u>\$ 68,855,919</u></u>	<u><u>\$ 63,108,238</u></u>

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Home Care Services	\$ 44,870,795	\$ -	\$ 44,870,795
Grants	1,529,291	-	1,529,291
Contributions and Donations	1,022,609	35,000	1,057,609
Program Income	69,797	-	69,797
Interest and Dividends	213,653	-	213,653
Unrealized Gain on Investments	914,592	-	914,592
Realized Gain on Investments	256,558	-	256,558
Rental Income	392,281	-	392,281
Other	248,699	-	248,699
Total Support and Revenue Before Net Assets Released from Restrictions	49,518,275	35,000	49,553,275
Net Assets Released from Restrictions	78,858	(78,858)	-
Total Support and Revenue	49,597,133	(43,858)	49,553,275
EXPENSES			
Program Services:			
Personal Assistant Services	38,112,301	-	38,112,301
Community Integration	3,841,834	-	3,841,834
Support Services:			
Administration	2,927,682	-	2,927,682
Total Expenses	44,881,817	-	44,881,817
CHANGES IN NET ASSETS	4,715,316	(43,858)	4,671,458
Net Assets - Beginning of Year	61,018,825	141,042	61,159,867
NET ASSETS - END OF YEAR	<u>\$ 65,734,141</u>	<u>\$ 97,184</u>	<u>\$ 65,831,325</u>

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants and Contracts	\$ 46,085,305	\$ -	\$ 46,085,305
Contributions and Donations	1,886,061	127,042	2,013,103
Program Income	335,263	-	335,263
Interest and Dividends	302,425	-	302,425
Unrealized Gains on Investments	(115,762)	-	(115,762)
Realized Gains on Investments	(538)	-	(538)
Rental Income	455,042	-	455,042
Other	194,662	-	194,662
Total Support and Revenue Before Net Assets Released from Restrictions	49,142,458	127,042	49,269,500
Net Assets Released from Restrictions	126,475	(126,475)	-
Total Support and Revenue	49,268,933	567	49,269,500
EXPENSES, GAINS, AND LOSSES			
Program Services:			
Personal Assistant Services	38,294,758	-	38,294,758
Community Integration	4,363,632	-	4,363,632
Support Services:			
Administration	2,885,675	-	2,885,675
Total Expenses, Gains, and Losses	45,544,065	-	45,544,065
CHANGES IN NET ASSETS	3,724,868	567	3,725,435
Net Assets - Beginning of Year	57,293,957	140,475	57,434,432
NET ASSETS - END OF YEAR	<u>\$ 61,018,825</u>	<u>\$ 141,042</u>	<u>\$ 61,159,867</u>

See accompanying Notes to Consolidated Financial Statements.

ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services			Support Services	Total Expenses
	Personal Assistant Services	Community Integration	Total Program Services	Administration	
Salaries and Related Payroll Expense	\$ 36,866,405	\$ 2,218,414	\$ 39,084,819	\$ 1,425,571	\$ 40,510,390
Home Modification Costs	-	834,737	834,737	-	834,737
Office Expenses and Postage	80,131	32,713	112,844	19,040	131,884
Training and Tuition	140	7,291	7,431	32,665	40,096
Public Relations/Information	765	10,328	11,093	60,198	71,291
Professional Services	18,886	6,828	25,714	37,558	63,272
Occupancy and Communications	327,017	280,126	607,143	115,590	722,733
Insurance	78,361	10,729	89,090	30,322	119,412
Equipment Rental and Repairs	360,698	111,406	472,104	139,366	611,470
Travel and Mileage	23,164	3,088	26,252	(2,879)	23,373
Printing and Publications	20,906	7,165	28,071	2,230	30,301
Interest and Bank Charges	-	-	-	101,962	101,962
Other Expenses	197,072	180,253	377,325	52,933	430,258
Building Expenses	-	-	-	284,785	284,785
Bad Debt Expense	-	-	-	64,910	64,910
Depreciation	138,756	138,756	277,512	563,431	840,943
Total Functional Expenses	<u>\$ 38,112,301</u>	<u>\$ 3,841,834</u>	<u>\$ 41,954,135</u>	<u>\$ 2,927,682</u>	<u>\$ 44,881,817</u>

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020**

	Program Services			Support Services	Total Expenses
	Personal Assistant Services	Community Integration	Total Program Services	Administration	
Salaries and Related Payroll Expense	\$ 37,151,785	\$ 2,267,117	\$ 39,418,902	\$ 1,380,229	\$ 40,799,131
Home Modification Costs	-	656,295	656,295	-	656,295
Office Expenses and Postage	85,021	28,491	113,512	27,798	141,310
Training and Tuition	2,540	18,313	20,853	56,395	77,248
Public Relations/Information	-	17,923	17,923	73,451	91,374
Professional Services	19,611	18,041	37,652	15,323	52,975
Occupancy and Communications	333,071	586,574	919,645	104,839	1,024,484
Insurance	75,279	12,727	88,006	30,585	118,591
Equipment Rental and Repairs	281,534	153,777	435,311	131,198	566,509
Travel and Mileage	56,332	31,386	87,718	9,001	96,719
Printing and Publications	22,197	23,755	45,952	3,610	49,562
Interest and Bank Charges	-	293	293	109,769	110,062
Other Expenses	129,740	411,292	541,032	20,376	561,408
Building Expenses	-	-	-	290,386	290,386
Bad Debt Expense	-	-	-	73,782	73,782
Depreciation	137,648	137,648	275,296	558,933	834,229
Total Functional Expenses	<u>\$ 38,294,758</u>	<u>\$ 4,363,632</u>	<u>\$ 42,658,390</u>	<u>\$ 2,885,675</u>	<u>\$ 45,544,065</u>

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 4,671,458	\$ 3,725,435
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	840,943	834,229
Bad Debt Expense	64,910	73,782
Net Realized and Unrealized (Gain) Loss on Investments	(1,171,150)	116,300
Increase (Decrease) in Cash Resulting from Changes in:		
Accounts Receivable	(1,755,943)	299,050
Interest Receivable	97,871	(31,764)
Prepaid Expenses and Other Assets	(33,719)	(32,413)
Accounts Payable	(43,280)	(94,937)
Accrued Payroll and Related Expenses	209,116	82,707
Compensated Absences Payable	36,907	(43,453)
Deferred Revenue	871,125	55,759
Other Liabilities	2,351	(1,694)
Net Cash Provided by Operating Activities	3,790,589	4,983,001
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of Certificates of Deposit	5,047,584	950,085
Purchases of Investments	(1,063,307)	(569,574)
(Increase) Decrease in Designated Cash for a Sports Complex	7,514	(85,126)
Purchases of Property and Equipment	(74,035)	(309,695)
Net Cash Provided (Used) by Investing Activities	3,917,756	(14,310)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,708,345	4,968,691
Cash and Cash Equivalents - Beginning of Year	14,330,204	9,361,513
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 22,038,549	\$ 14,330,204

See accompanying Notes to Consolidated Financial Statements.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 AND 2020

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, 2021 AND 2020

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges 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. There are no pledges receivable as of June 30, 2021 and 2020.

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.

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, 2021 and 2020.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, conditional contributions approximating \$490,000, of which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

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 our 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.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Home Care Service Revenue (Continued)

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, 2021 and 2020. 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

Income Taxes

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

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.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses (Continued)

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:

	2021	2020
Cash on Hand	\$ 647	\$ 647
Checking Account Balances	17,826,577	12,790,160
Money Market Funds	4,211,325	1,539,397
Total Cash and Cash Equivalents	<u>\$ 22,038,549</u>	<u>\$ 14,330,204</u>

Change in Accounting Principle

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

Ability360's consolidated financial statements reflect adoption of ASU 2014-09 guidance beginning in fiscal year 2021. The adoption of this standard did not impact Ability360's reported revenue.

In August 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2018-13, Fair Value Measurement (Topic 820) – *Changes to the Disclosure Requirements for Fair Value Measurement*. The update is to improve the effectiveness of disclosures in the notes to the financial statements. Ability360's financial statements reflect adoption of ASU 2018-13 guidance beginning in for the year-ended June 30, 2021 and retrospectively applied for the year-ended June 30, 2020. The adoption of ASU 2018-13 did not impact the Ability360's reported change in net assets.

Subsequent Events

We have evaluated subsequent events through November 18, 2021, the date the consolidated financial statements were available to be issued.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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. Ability 360 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:

	2021	2020
Cash and Cash Equivalents	\$ 22,038,549	\$ 14,330,204
Certificates of Deposit	2,024,600	7,072,184
Accounts Receivable	8,571,284	6,880,251
Investments (Excluding ACF)	4,938,088	3,078,322
Less: Funds with Donor-Imposed Restrictions	(97,184)	(141,042)
Total	<u>\$ 37,475,337</u>	<u>\$ 31,219,919</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:

	2021	2020
Mercy Care	\$ 6,155,690	\$ 4,202,214
Banner University Family Care	541,231	554,711
United Healthcare Community Plan	1,317,127	1,412,297
Other	763,782	931,038
Total	<u>8,777,830</u>	<u>7,100,260</u>
Less: Allowance for Doubtful Accounts	(206,546)	(220,009)
Accounts Receivable, Net	<u>\$ 8,571,284</u>	<u>\$ 6,880,251</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, 2021 AND 2020

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.

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 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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, 2021 and 2020:

	2021			Total
	Level 1	Level 2	Level 3	
Fixed Income	\$ -	\$ 1,221,505	\$ -	\$ 1,221,505
Equity	1,611,090	-	-	1,611,090
Mutual Funds	1,696,236	-	-	1,696,236
Exchange-Traded Products	260,636	-	-	260,636
Pooled Investments:				
Arizona Community Foundation	-	-	1,769,714	1,769,714
Total Investments at Fair Value	<u>\$ 3,567,962</u>	<u>\$ 1,221,505</u>	<u>\$ 1,769,714</u>	6,559,181
Cash and Cash Equivalents				148,621
Total Investments				<u>\$ 6,707,802</u>
	2020			
	Level 1	Level 2	Level 3	Total
Fixed Income	\$ -	\$ 330,044	\$ -	\$ 330,044
Equity	1,071,777	-	-	1,071,777
Mutual Funds	1,512,478	-	-	1,512,478
Exchange-Traded Products	15,490	-	-	15,490
Pooled Investments:				-
Arizona Community Foundation	-	-	1,395,023	1,395,023
Total Investments at Fair Value	<u>\$ 2,599,745</u>	<u>\$ 330,044</u>	<u>\$ 1,395,023</u>	4,324,812
Cash and Cash Equivalents				148,533
Total Investments				<u>\$ 4,473,345</u>

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

	<u>2021</u>	<u>2020</u>
Purchases	\$ 759,235	\$ 17,832
Sales	60,273	-
Transfers In	-	-
Transfer Out	-	-

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 349,662	\$ 349,662
Buildings	35,412,843	35,412,843
Swimming Pool	984,951	984,951
Furniture, Equipment, and Vehicles	2,192,344	2,192,466
Leasehold Improvements	2,935,817	2,935,817
Total	<u>41,875,617</u>	<u>41,875,739</u>
Less: Accumulated Depreciation and Amortization	<u>(12,677,546)</u>	<u>(11,910,760)</u>
Property and Equipment, Net	<u>\$ 29,198,071</u>	<u>\$ 29,964,979</u>

Depreciation and amortization expense charged to operations was \$840,943 and \$834,229 for the years ended June 30, 2021 and 2020, respectively.

NOTE 6 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 \$455,042 and \$455,040 for the years ended June 30, 2021 and 2020, respectively.

The future minimum rental income under these operating leases is as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 385,021
2023	372,629
2024	162,028
2025	18,754
Total	<u>\$ 938,432</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 2021.

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 7 OPERATING LEASES

Ability360 leases office space and office equipment under the provisions of noncancelable operating leases. Rental expense under the terms of the operating leases was \$178,673 and \$174,654 for the years ended June 30, 2021 and 2020, respectively. Certain operating leases provide for renewal options.

The future minimum rental payments under these operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 74,138
2023	87,443
2024	68,435
2025	48,927
2026	9,606
Total	<u>\$ 288,549</u>

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2021</u>	<u>2020</u>
Subject to Expenditure for Specified Purpose:		
Cash for COVID-19 Relief Support	\$ 12,117	\$ 25,000
Cash for Advocacy	10,000	5,967
Cash for Event Sponsorship	-	10,000
Cash for Team360 Sports and Fitness	34,717	28,575
Cash for Youth Continuum of Services	40,350	71,500
Total	<u>\$ 97,184</u>	<u>\$ 141,042</u>

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 as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Satisfaction of Purpose Restrictions:		
Project Independence and Empowerment	\$ -	\$ 40,879
Youth Continuum of Services	31,151	85,596
Lebherz Family FND	5,966	-
Centene Management Company LLC	10,000	-
AZ Commerce Authority - COVID19 Relief Fund	12,883	-
BOA/Due in the Desert	12,000	-
Stacy Fuson Fnd /wwhc Rugby Dona	6,575	-
Fiesta Bowl Charities	283	-
Total	<u>\$ 78,858</u>	<u>\$ 126,475</u>

**ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

NOTE 9 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 10 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, 2021 and 2020. Ability360's retirement plan expense was \$147,257 and \$136,822 for the years ended June 30, 2021 and 2020, respectively.

NOTE 11 CONCENTRATION RISK

Ability360 received 84% of their revenue from two government contracts during the year ended June 30, 2021. Ability360 received 86% of their revenue from two government contracts during the year ended June 30, 2020.

Approximately 85% of the accounts receivable balance is due from two government contracts as of June 30, 2021. Approximately 79% of the accounts receivable balance is due from two government contracts as of June 30, 2020.

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, 2021 and 2020, a portion of cash balances at financial institutions exceeded the balance insured by the FDIC.

NOTE 12 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.

ABILITY360 AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to Ability360, COVID-19 may impact various parts of its 2021 operations and financial results. Management believes Ability360 is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

NOTE 13 UPCOMING ACCOUNTING STANDARDS

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of Ability360's leasing activities. The guidance will initially be applied using a modified retrospective approach. The standard will be effective for the Ability360 for the year ending June 30, 2023. Management is evaluating the impact of the amended lease guidance on Ability360's consolidated financial statements.



**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, which comprise the consolidated statement of financial position as of June 30, 2021, 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 November 18, 2021.

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) to determine the 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.

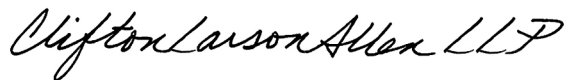
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 18, 2021



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Ability360 and Subsidiary
Phoenix, Arizona

Report on Compliance for the Major Federal Program

We have audited Ability360 and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Ability360 and Subsidiary's major federal program for the year ended June 30, 2021. Ability360 and Subsidiary's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Ability360 and Subsidiary's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Ability360 and Subsidiary's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Ability360 and Subsidiary's compliance.

Opinion on the Major Federal Program

In our opinion, Ability360 and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Ability360 and Subsidiary is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ability360 and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Ability360 and Subsidiary's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

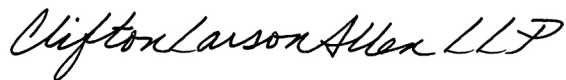
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the consolidated financial statements of Ability360 and Subsidiary as of and for the year ended June 30, 2021, and have issued our report thereon dated November 18, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was 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 audit 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 auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



CliftonLarsonAllen LLP

Phoenix, Arizona
November 18, 2021

**ABILITY360 AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes x no

Identification of Major Federal Programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
93.432	Centers for Independent Living – Title VII

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? x yes _____ no

**ABILITY360 AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

ABILITY360 AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Agency/Pass-Through Entity/ Federal Assistance Program	Contract Number	Federal Assistance Listing Number	Federal Award Expenditures
U.S. Department of Housing and Urban Development			
Passed through:			
City of Phoenix, Community Development Block Grant	150502-0	14.218	\$ 5,643
City of Phoenix, Community Development Block Grant	152775-0	14.218	5,938
City of Peoria, Community Development Block Grant	ACON3619	14.218	<u>3,619</u>
Total Community Development Block Grant Cluster			<u>15,200</u>
Total U.S. Department of Housing and Urban Development			15,200
U.S. Department of Health and Human Services			
Passed Through:			
Arizona Department of Economic Security,			
Social Services Block Grant	CTR048311-1	93.667	72,909
Social Services Block Grant	CTR048311-2	93.667	24,303
Centers for Independent Living – Title VII	2002AZILCL-00	93.432	310,839 *
Centers for Independent Living – Title VII	1902AZILCL-00	93.432	102,595 *
Centers for Independent Living – Title VII - CARES Act	2002AZILC3	93.432	265,976 *
Centers for Independent Living - Title VII Part C - CARES ACT - Vaccine Outreach	2002AZILC5	93.432	<u>17,921 *</u>
Total U.S. Department of Health and Human Services			794,542
U.S. Department of Social Security Administration			
Passed Through:			
Arizona Social Security Administration Outreach Program	6 WIP15050423-05-01	96.008	<u>300,000</u>
Total U.S. Department of Social Security Administration			<u>300,000</u>
Total Expenditures			<u>\$ 1,109,742</u>

* Indicates a major program for the fiscal year ended June 30, 2021.

See accompanying Notes to Schedule of Expenditures of Federal Awards.

ABILITY360 AND SUBSIDIARY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Ability360 and Subsidiary under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ability360 and Subsidiary, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Ability360 and Subsidiary.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Ability360 and Subsidiary has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 FEDERAL ASSISTANCE LISTING NUMBERS

The program titles and federal assistance listing numbers were obtained from the *2021 Catalog of Federal Domestic Assistance*.

NOTE 4 SUBRECIPIENTS

There were no subrecipient payments during the year.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

