

ABILITIES UNITED  
(A California Nonprofit Public Benefit Corporation)

\*\*\*

FINANCIAL STATEMENTS

Year Ended June 30, 2009 with Comparative Totals  
for the Year Ended June 30, 2008

ABILITIES UNITED  
(A California Nonprofit Public Benefit Corporation)

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Abilities United  
(A California Nonprofit Public Benefit Corporation)  
Palo Alto, California

We have audited the accompanying statement of financial position of Abilities United (a California nonprofit public benefit corporation) as of June 30, 2009, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Abilities United for the year ended June 30, 2008, were audited by other auditors whose report dated September 29, 2008, expressed an unqualified opinion on those statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abilities United as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Berger/Lewis Accountancy Corporation".

BERGER/LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
October 1, 2009

ABILITIES UNITED  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FINANCIAL POSITION

June 30, 2009 with Comparative Totals as of June 30, 2008

**ASSETS**

	<u>2009</u>	<u>2008</u>
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 375,859	\$ 92,427
Accounts Receivable, Net	266,617	280,459
Current Portion of Pledges Receivable	15,651	-
Prepaid Expenses	<u>12,718</u>	<u>1,200</u>
Total Current Assets	<u>670,845</u>	<u>374,086</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>581,724</u>	<u>649,572</u>
<b>OTHER ASSETS:</b>		
Long-Term Portion of Pledges Receivable	29,280	-
Endowment Investments, Accumulated Earnings	-	14,030
Endowment Investments	644,408	655,392
Pledges Receivable for Endowment, Net	<u>8,540</u>	<u>122,714</u>
Total Other Assets	<u>682,228</u>	<u>792,136</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,934,797</u>	<u>\$ 1,815,794</u>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Line of Credit	\$ 200,000	\$ -
Accounts Payable and Accrued Liabilities	42,176	86,499
Accrued Vacation	165,991	158,761
Deferred Revenue	<u>11,339</u>	<u>6,000</u>
Total Current Liabilities	<u>419,506</u>	<u>251,260</u>
<b>NET ASSETS:</b>		
Unrestricted Net Assets:		
Operating Activities	494,089	481,982
Endowment Investment Activities	<u>(134,173)</u>	<u>-</u>
Total Unrestricted Net Assets	359,916	481,982
Temporarily Restricted Net Assets	368,254	304,446
Permanently Restricted Net Assets	<u>787,121</u>	<u>778,106</u>
Total Net Assets	<u>1,515,291</u>	<u>1,564,534</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,934,797</u>	<u>\$ 1,815,794</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

ABILITIES UNITED  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

	2009					2008	
	Unrestricted			Temporarily	Permanently	TOTAL	TOTAL
	Operating Activities	Endowment Investment Activities	TOTAL	Restricted	Restricted		
<b>SUPPORT AND REVENUE:</b>							
Support:							
Contributions	\$ 753,739	\$ -	\$ 753,739	\$ 291,234	\$ 9,015	\$ 1,053,988	\$ 1,255,940
Special Events	431,799	-	431,799	-	-	431,799	382,790
Less: Direct Expenses	(65,534)	-	(65,534)	-	-	(65,534)	(74,479)
Donated Services (See Note 9)	75,756	-	75,756	-	-	75,756	181,736
United Way Contributions	5,455	-	5,455	-	-	5,455	12,332
<b>Total Support</b>	<b>1,201,215</b>	<b>-</b>	<b>1,201,215</b>	<b>291,234</b>	<b>9,015</b>	<b>1,501,464</b>	<b>1,758,319</b>
Revenue:							
Fees from Governmental Agencies for Program Services	2,687,094	-	2,687,094	-	-	2,687,094	2,747,021
Program Service Fees	945,655	-	945,655	-	-	945,655	873,948
Contract Income	33,239	-	33,239	-	-	33,239	43,745
Miscellaneous Income	3,478	-	3,478	-	-	3,478	478
Operating Interest Income	2,229	-	2,229	-	-	2,229	6,990
Endowment Investment Loss, Net	-	(103,171)	(103,171)	(14,030)	-	(117,201)	(5,789)
<b>Total Revenue</b>	<b>3,671,695</b>	<b>(103,171)</b>	<b>3,568,524</b>	<b>(14,030)</b>	<b>-</b>	<b>3,554,494</b>	<b>3,666,393</b>
<b>Total Support and Revenue</b>	<b>4,872,910</b>	<b>(103,171)</b>	<b>4,769,739</b>	<b>277,204</b>	<b>9,015</b>	<b>5,055,958</b>	<b>5,424,712</b>
Net Assets Released from Restrictions	213,396	-	213,396	(213,396)	-	-	-
Amounts Appropriated for Expenditure	31,002	(31,002)	-	-	-	-	-
<b>Total Support, Revenue and Net Assets Released from Restrictions</b>	<b>5,117,308</b>	<b>(134,173)</b>	<b>4,983,135</b>	<b>63,808</b>	<b>9,015</b>	<b>5,055,958</b>	<b>5,424,712</b>
<b>EXPENSES:</b>							
Program Services:							
Aquatic Services	862,377	-	862,377	-	-	862,377	910,354
Early Intervention	781,543	-	781,543	-	-	781,543	948,509
Independent Living Skills	548,729	-	548,729	-	-	548,729	414,448
Employment Services	413,697	-	413,697	-	-	413,697	558,653
Adult Day Activities	409,303	-	409,303	-	-	409,303	360,048
Respite	301,204	-	301,204	-	-	301,204	335,072
Milestones Preschool	264,084	-	264,084	-	-	264,084	263,586
After School Socialization	92,680	-	92,680	-	-	92,680	243,343
Community Connections	57,185	-	57,185	-	-	57,185	27,915
Computer Lab Education	48,277	-	48,277	-	-	48,277	50,811
New Initiatives	7,617	-	7,617	-	-	7,617	13,902
<b>Total Program Services</b>	<b>3,786,696</b>	<b>-</b>	<b>3,786,696</b>	<b>-</b>	<b>-</b>	<b>3,786,696</b>	<b>4,126,641</b>
Supporting Services:							
Management and General	1,035,800	-	1,035,800	-	-	1,035,800	1,128,166
Fundraising	282,705	-	282,705	-	-	282,705	328,314
<b>Total Supporting Services</b>	<b>1,318,505</b>	<b>-</b>	<b>1,318,505</b>	<b>-</b>	<b>-</b>	<b>1,318,505</b>	<b>1,456,480</b>
<b>Total Expenses</b>	<b>5,105,201</b>	<b>-</b>	<b>5,105,201</b>	<b>-</b>	<b>-</b>	<b>5,105,201</b>	<b>5,583,121</b>
<b>CHANGE IN NET ASSETS</b>	<b>12,107</b>	<b>(134,173)</b>	<b>(122,066)</b>	<b>63,808</b>	<b>9,015</b>	<b>(49,243)</b>	<b>(158,409)</b>
<b>NET ASSETS, Beginning of Year</b>	<b>481,982</b>	<b>-</b>	<b>481,982</b>	<b>304,446</b>	<b>778,106</b>	<b>1,564,534</b>	<b>1,722,943</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 494,089</b>	<b>\$ (134,173)</b>	<b>\$ 359,916</b>	<b>\$ 368,254</b>	<b>\$ 787,121</b>	<b>\$ 1,515,291</b>	<b>\$ 1,564,534</b>

The Accompanying Notes are an Integral Part of these Financial Statements.

ABILITIES UNITED  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

	PROGRAM SERVICES	SUPPORTING SERVICES			TOTAL	
		Management and			2009	2008
		General	Fundraising	Total		
<b>EXPENSES:</b>						
Salaries	\$ 2,576,425	\$ 645,373	\$ 179,871	\$ 825,244	\$ 3,401,669	\$ 3,490,790
Employee Benefits	347,247	67,249	20,561	87,810	435,057	517,138
Payroll Taxes	191,847	46,028	12,223	58,251	250,098	254,899
Donated Services	5,616	66,458	3,682	70,140	75,756	181,736
<b>Total Salaries and Related Expenses</b>	<b>3,121,135</b>	<b>825,108</b>	<b>216,337</b>	<b>1,041,445</b>	<b>4,162,580</b>	<b>4,444,563</b>
Travel/Lodging/Meals	140,284	3,171	682	3,853	144,137	108,033
Occupancy	119,448	11,670	3,886	15,556	135,004	154,087
Consulting Fees	74,280	619	4,675	5,294	79,574	152,031
Supplies	48,023	10,176	3,773	13,949	61,972	99,196
Maintenance and Repairs	57,051	3,640	358	3,998	61,049	99,663
Printing	19,910	16,491	17,442	33,933	53,843	70,418
Technology	5,388	30,602	5,589	36,191	41,579	37,629
Telephone	30,348	7,548	2,754	10,302	40,650	46,760
Professional Fees	2,444	35,939	50	35,989	38,433	23,609
Equipment	23,379	10,735	4,239	14,974	38,353	38,682
Insurance	25,142	7,579	2,547	10,126	35,268	40,462
Training	20,637	6,748	96	6,844	27,481	26,681
Bank Charges	15,170	1,724	5,995	7,719	22,889	37,408
Advertising	9,569	9,888	80	9,968	19,537	34,905
Awards and Recognition	13,722	2,193	1,455	3,648	17,370	17,660
Bad Debt	-	16,681	-	16,681	16,681	22,160
Miscellaneous	9,070	3,881	2,605	6,486	15,556	29,388
Postage	899	5,620	6,139	11,759	12,658	16,779
Dues and Publications	2,781	1,604	650	2,254	5,035	13,439
Taxes and Licenses	1,975	1,230	142	1,372	3,347	2,046
Interest	-	1,001	34	1,035	1,035	-
<b>Total Expenses Before Depreciation</b>	<b>3,740,655</b>	<b>1,013,848</b>	<b>279,528</b>	<b>1,293,376</b>	<b>5,034,031</b>	<b>5,515,599</b>
Depreciation	46,041	21,952	3,177	25,129	71,170	67,522
<b>Total Functional Expenses</b>	<b>\$ 3,786,696</b>	<b>\$ 1,035,800</b>	<b>\$ 282,705</b>	<b>\$ 1,318,505</b>	<b>\$ 5,105,201</b>	<b>\$ 5,583,121</b>
Percentage of Total	74.2 %	20.3 %	5.5 %	25.8 %	100.0 %	

The Accompanying Notes are an Integral Part of these Financial Statements.

**ABILITIES UNITED**  
**(A California Nonprofit Public Benefit Corporation)**

Year Ended June 30, 2009

**STATEMENT OF FUNCTIONAL EXPENSES (DETAILS OF PROGRAM SERVICES)**

	Aquatic Services	Early Intervention	Independent Living Skills	Employment Services	Adult Day Activities	Respite	Milestones Preschool	After School Socialization	Community Connections	Computer Lab Education	New Initiatives	TOTAL PROGRAM SERVICES
<b>EXPENSES:</b>												
Salaries	\$ 511,843	\$ 531,412	\$ 394,542	\$ 298,092	\$ 292,591	\$ 196,662	\$ 210,098	\$ 64,802	\$ 41,365	\$ 35,018	\$ -	\$ 2,576,425
Employee Benefits	66,818	85,512	43,088	51,392	38,664	27,727	20,506	6,065	1,659	5,816	-	347,247
Payroll Taxes	38,370	39,554	29,807	22,081	22,044	14,715	15,438	4,448	3,168	2,222	-	191,847
Donated Services	-	-	-	-	-	-	-	-	-	-	5,616	5,616
<b>Total Salaries and Benefits</b>	<b>617,031</b>	<b>656,478</b>	<b>467,437</b>	<b>371,565</b>	<b>353,299</b>	<b>239,104</b>	<b>246,042</b>	<b>75,315</b>	<b>46,192</b>	<b>43,056</b>	<b>5,616</b>	<b>3,121,135</b>
Travel/Lodging/Meals	381	8,554	61,519	15,723	3,048	48,518	165	-	2,376	-	-	140,284
Occupancy	77,064	7,329	-	3,886	17,915	2,897	2,721	7,636	-	-	-	119,448
Consulting Fees	3,748	70,181	-	-	351	-	-	-	-	-	-	74,280
Supplies	19,400	5,169	3,613	1,373	4,819	1,553	4,721	489	5,859	11	1,016	48,023
Maintenance and Repairs	46,288	2,261	231	541	3,360	742	1,287	1,799	-	542	-	57,051
Printing	18,458	1,066	-	47	-	-	339	-	-	-	-	19,910
Technology	3,976	92	-	6	-	-	-	-	70	1,244	-	5,388
Telephone	4,095	5,893	5,780	5,862	1,804	926	1,519	2,248	430	1,752	39	30,348
Professional Fees	-	-	1,955	486	-	-	-	-	3	-	-	2,444
Equipment	10,459	2,624	973	1,820	4,250	705	617	1,639	100	192	-	23,379
Insurance	5,372	5,815	3,074	3,267	2,714	2,187	1,578	775	-	360	-	25,142
Training	9,758	6,217	34	555	250	130	1,615	-	2,078	-	-	20,637
Bank Charges	8,810	1,291	301	2,417	323	1,506	244	172	52	54	-	15,170
Advertising	1,634	833	188	2,488	1,436	876	1,193	921	-	-	-	9,569
Awards and Recognition	2,536	2,743	1,464	1,825	2,296	1,041	736	362	25	168	-	13,722
Miscellaneous	4,612	885	1,290	384	1,142	204	-	121	-	12	-	9,070
Postage	899	-	-	-	-	-	-	-	-	-	-	899
Dues and Publications	1,845	231	130	130	316	-	129	-	-	-	-	2,781
Taxes and Licenses	304	242	162	167	426	122	485	48	-	19	-	1,975
<b>Total Expenses Before Depreciation</b>	<b>836,670</b>	<b>777,904</b>	<b>548,151</b>	<b>412,542</b>	<b>397,749</b>	<b>300,511</b>	<b>263,391</b>	<b>91,525</b>	<b>57,185</b>	<b>47,410</b>	<b>7,617</b>	<b>3,740,655</b>
Depreciation	25,707	3,639	578	1,155	11,554	693	693	1,155	-	867	-	46,041
<b>Total Functional Expenses</b>	<b>\$ 862,377</b>	<b>\$ 781,543</b>	<b>\$ 548,729</b>	<b>\$ 413,697</b>	<b>\$ 409,303</b>	<b>\$ 301,204</b>	<b>\$ 264,084</b>	<b>\$ 92,680</b>	<b>\$ 57,185</b>	<b>\$ 48,277</b>	<b>\$ 7,617</b>	<b>\$ 3,786,696</b>
Percentage of Total	22.8 %	20.6 %	14.5 %	10.9 %	10.8 %	8.0 %	7.0 %	2.4 %	1.5 %	1.3 %	0.2 %	100.0 %

The Accompanying Notes are an Integral Part of these Financial Statements.

ABILITIES UNITED  
(A California Nonprofit Public Benefit Corporation)

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009 with Comparative Totals for the Year Ended June 30, 2008

	2009	2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (49,243)	\$ (158,409)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	71,170	67,522
Proceeds from Contributions Restricted for Endowment	(123,189)	(74,119)
Net Realized and Unrealized Losses on Investments	122,004	-
(Increase) Decrease in Assets:		
Accounts Receivable	13,842	70,901
Pledges Receivable	(44,931)	-
Pledges Receivable for Endowment	114,174	-
Prepaid Expenses	(11,518)	36,912
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(44,324)	(7,196)
Accrued Vacation	7,230	16,685
Deferred Revenue	5,339	-
Net Cash Provided (Used) by Operating Activities	60,554	(47,704)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Increase in Endowment Fund	-	29,856
Purchase of Equipment	(3,321)	(103,990)
Purchase of Investments	(134,587)	-
Proceeds from Sale of Investments	37,597	-
Net Cash Used by Investing Activities	(100,311)	(74,134)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Line of Credit	200,000	-
Proceeds from Contributions Restricted for Endowment	123,189	-
Net Cash Provided by Financing Activities	323,189	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	283,432	(121,838)
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	92,427	214,265
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	\$ 375,859	\$ 92,427
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:</b>		
Cash Paid for Interest	\$ 1,035	\$ -

The Accompanying Notes are an Integral Part of these Financial Statements.



NOTES TO FINANCIAL STATEMENTS

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NOTE 1 - ORGANIZATION:

**Vision**

Abilities United (the "Organization"), sees a day when people with developmental and physical challenges have all the rights, resources and opportunities they need to lead the lives they choose. Abilities United sees a society where there are no barriers, attitudinal or physical, to the full participation of people with disabilities and their families.

**Mission**

Abilities United champions people with developmental and physical challenges and provides the training, education, and support they need to lead the lives they choose.

NOTE 2 - PROGRAM SERVICES:

**Children's Development Services:**

Children's Development Services is comprised of the Early Intervention and the Milestones Preschool programs.

Early Intervention Program - The Early Intervention Program offers in-home and center-based services for children from birth to three years old that have development delays or are at risk of delay. The Organization's multi-disciplinary team of special educators and therapists provides structured developmental and educational opportunities. Parent participation and extensive family support are integral parts of this service. The Organization serves families throughout the Bay Area. Non-English speaking families work directly with the Organization's Spanish bilingual/bicultural staff.

Milestones Preschool Program - Milestones Preschool is an inclusive program serving small groups of children from 2 to 5 years of age with and without developmental delays or risk factors. The program stresses individual growth and progress in a developmentally focused program to gain access to specialized services, and expand the variety of social situations available to themselves and their children. The community has an opportunity to increase their understanding of developmentally appropriate practices in child development.

**Adult Services:**

Adult Services is comprised of the Adult Day Activities, Community Connections, Independent Living Skills, and Employment Services programs.

Adult Day Activities Program - At Adult Day Activities, clients choose from a variety of activities to experience new opportunities and learn. Clients participate in activities to learn household tasks such as shopping, cooking, laundry, cleaning, and gardening; community life skills like transportation usage and restaurant dining; and how to access community resources such as libraries, museums, theatres, parks, and other public areas. The most important thing is that the clients make their own goals, choices, and decisions with whatever support and assistance they need from their family, friends, and Adult Day Activities staff.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 2 - PROGRAM SERVICES (Continued):

Community Connections Program - As a member of the community, clients have access to many free public resources and activities. Clients can choose from a variety of social and volunteer activities that let them give back to their community. They also have opportunities to make new friends and learn exciting new things. At Community Connections clients can volunteer at dozens of local organizations, learn new things in the Organization's educational series, and develop communication skills when they help produce the Community Connections cable TV show and newsletters.

Independent Living Skills Program - Clients already have many life skills, but if there are others they would like to develop, Abilities United can assist in acquiring them. In Independent Living Skills (ILS), clients work one-on-one with their ILS coach to learn the additional daily living skills they need to be as independent as possible.

Employment Services Program - If clients would like to be employed, Abilities United is here to support them. The Organization will help their clients attain work skills to complement those they already have. Abilities United wants their clients to have a job that they like and value. That is why the Organization spends a lot of time with their clients to determine what skills they already have and which ones they need to develop to get the job they want. Each client's coach will work with them to apply for the job they choose, and when they're hired, their coach will be there until they are ready to go solo.

**Family Support:**

Family Support is comprised of After School Socialization, Computer Lab Education and Respite services.

After School Socialization Program - After School Socialization is a socialization training and community-integration service for children and young adults; age 5 to 22 years old, who have a developmental disability. Each day offers children and young adults the opportunity to learn the daily living skills that help them do better in school, become more independent, socialize with their peers, and transition into community afterschool programs that serve children from all walks of life.

Computer Lab Education Program - Abilities United Computer Lab Education offers accessible computer classes to help clients develop their everyday living skills and increase their level of independence through training in computer access, academic and daily living skills. Each computer is wheelchair accessible and equipped with specially designed keyboards, mice and monitors to accommodate limited range of motion, visual and hearing impairment, or other special needs. Software used by Abilities United is specially designed for people with disabilities or accessibility challenges. A variety of educational software packages designed by education specialists are utilized to teach the various skill sets.

Respite Program - Respite services provide highly trained home companions for people caring for a family member with a developmental disability. The Organization's companions work in private homes and in varied community settings throughout Santa Clara and San Mateo counties. The Organization's compassionate home companions give respite to parents and other primary care givers of people of all ages with developmental disabilities.

New Initiatives - This program includes horticulture therapy and cardiopulmonary resuscitation (CPR) classes for outside members.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 2 - PROGRAM SERVICES (Continued):

**Aquatic Services:**

Aquatic Services - Warm-water exercise can benefit people of all ages and ability levels. The 93 degree warm-water, wheelchair-accessible pool at the Organization's Betty Wright Swim Center offers many exercise benefits. When clients submerge their body into warm-water, the nearly weight-free environment allows muscle relaxation, joint lubrication, nerve integration and increased range of motion. For more than 2,000 years, humans have benefited from therapeutic baths and centers for pain relief and tranquility.

When clients exercise in the warm-water of the Betty Wright Swim Center they experience:

- Relief from pain caused by injuries, disorders or physical ailments such as arthritis, spinal cord injuries, Multiple Sclerosis, Cerebral Palsy, Fibromyalgia
- A safe water environment to learn to swim
- A comfortable indoor, water-based alternative to land exercise
- A pleasant, friendly, supportive environment with skilled, empathetic and collaborative staff who will help clients progress through their rehabilitation, fitness or recreational program
- A professional, collaborative team of aquatic professionals which works with medical and health professionals to refer clients to appropriate services
- A diverse and supportive community of students, patients, and visitors which helps accelerate client's recovery and shares their interests

For maximum enjoyment and safety during any aquatic recreational activity, it is critical that children learn water safety, drowning survival and swimming techniques. Swim lessons benefit children in a multitude of ways. Swim school is often a child's first social experience out of the home that involves their peers. They learn to relate and interact with each other and their teachers. They develop a sense of independence and self-confidence, all in a fun, safe and educational environment available to them year round. This service is available to all children with and without disabilities. A special adaptive aquatics service for children with developmental disabilities is also part of the swim school.

For further information about the Organization's services go to [www.abilitiesunited.org](http://www.abilitiesunited.org) or call (650) 494-0550.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of Abilities United have been prepared on the accrual basis of accounting.

ABILITIES UNITED  
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Presentation - The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations as prescribed by the American Institute of Certified Public Accountants. In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating activities fund, endowment investment activities fund, property and equipment fund plus any net assets designated by the Board for specific purposes. The Organization has elected to report as an increase in unrestricted net assets any restricted support received in the current period for which the restrictions have been met in the current period.

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Use of 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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in restricted net assets.

ABILITIES UNITED  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Organization adopted the provisions of SFAS No. 157, *Fair Value Measurements*, effective July 1, 2008. Under SFAS No. 157, fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

SFAS No. 157 establishes a hierarchy to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Accounts Receivable - Accounts receivable represents amounts due from program services and are stated at the amount the Organization expects to collect for program fees. Provisions for losses on receivables are made when considered necessary to maintain an adequate allowance to cover uncollectible amounts. Accounts receivable are charged against the allowance when the Organization determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of June 30, 2009 and 2008, the Organization estimates the allowance for doubtful accounts to be \$20,000 and \$20,000, respectively. Bad debt expense for the years ended June 30, 2009 and 2008 totaled \$16,681 and \$22,160, respectively.

Pledges Receivable (Promises to Give) - Unconditional promises to give, less an allowance for uncollectible amounts, are recognized as support in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. The Organization created an allowance for doubtful accounts for estimated losses resulting from the inability to collect pledges. As of June 30, 2009 and 2008, the Organization estimates the allowance for uncollectible amounts to be \$500 and \$1,816, respectively. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

ABILITIES UNITED  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property and Equipment - Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$500 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 39 years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Accrued Vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2009 and 2008. The accrued vacation balance as of June 30, 2009 and 2008 was \$165,991 and \$158,761, respectively.

Revenue Recognition - The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions - Contributions are reported in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions and depending on whether the restrictions are met in the current fiscal period. Temporarily restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Contributions In-Kind - Contributions in-kind are also recognized in accordance with the provisions of SFAS No. 116. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations. While these contributed services are not reflected in the financial statements the estimated value of these services is disclosed in Note 9.

Expense Allocation - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain indirect costs have been allocated among Abilities United's programs, management and general, and fundraising functions using estimates of time, usage, and other factors prepared by management.

Income Taxes - Abilities United is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Advertising - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the years ended June 30, 2009 and 2008 totaled \$19,537 and \$34,905, respectively.

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent Events - Management of the Organization has evaluated events and transactions subsequent to June 30, 2009 for potential recognition or disclosure in the financial statements. The Organization had one subsequent event that required recognition or disclosure in the financial statements for the year ended June 30, 2009 (See Note 15). Subsequent events have been evaluated through the date the financial statements became available to be issued, October 1, 2009. The entity has not evaluated subsequent events after October 1, 2009.

Recent Accounting Pronouncements

FIN 48 - In June 2006, the Financial Accounting Standards Boards (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*, (FIN 48). FIN 48 provides guidance on recognition and measurement of uncertainties in income taxes recognized in financial statements by prescribing a more-likely-than-not recognition threshold and measurement attribute of tax positions taken or expected to be taken on a tax return. On December 30, 2008 FASB Staff Position (FSP) FIN 48-3 was issued and allows for the deferral of FIN 48 for fiscal years beginning after December 15, 2008.

In accordance with this provision, the Organization elected to defer the application of FIN 48. Based on management's analysis of the Organization's tax positions, the accounting for any uncertainty in its tax positions is not expected to have a material impact on the financial statements.

SFAS No. 157 - In September 2006, FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157) which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. FASB previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. However, for some entities, application of SFAS No. 157 will change current practice. In February 2008, FASB issued Staff Position No. 157-2 that defers the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in financial statements on a recurring basis for fiscal years beginning after November 15, 2008. In addition, FASB also agreed to exclude from the scope of SFAS No. 157 fair value measurements made for purposes of applying SFAS No. 13, *Accounting for Leases*, and related interpretive accounting pronouncements. The adoption of SFAS No. 157 for financial assets and liabilities did not have a significant impact on the Organization's results of operations, cash flows or financial position. The Organization is assessing the impact of adopting SFAS No. 157 on non-financial assets and liabilities, but do not expect it to have a material impact on its results of operations, cash flows or financial position.

ABILITIES UNITED  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

SFAS No. 159 - In February 2007, FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS No. 159) which permits entities to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 is effective for an entity's first fiscal year that begins after November 15, 2007. The Organization has adopted SFAS No. 159 but did not elect to measure any eligible financial instruments at fair value under this guidance.

NOTE 4 - INVESTMENTS:

The Organization has entered into an agreement with Silicon Valley Community Foundation (Foundation) to manage, hold in trust, and invest certain assets according to the Foundation's investment policy guidelines. The funds consist of contributions to the permanently restricted endowment and earnings thereon.

In accordance with SFAS No. 157 all of the following investments are classified as Level 3 investments (See Note 3). The fair values of the Organization's investments as of June 30, consisted of the following:

	<u>2009</u>	<u>2008</u>
Investments, Beginning of Year	\$ 669,422	\$ 699,278
Interest and Dividend Income	11,398	18,640
Realized Losses	(64,863)	-
Unrealized Losses	(57,141)	(19,844)
Fees	(6,595)	(4,585)
Contributions	123,189	28,479
Distributions	<u>(31,002)</u>	<u>(52,546)</u>
Investments, End of Year	<u>\$ 644,408</u>	<u>\$ 669,422</u>



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NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS (Continued):

The underlying investments of the Silicon Valley Community Foundation as of June 30, 2009 consisted of the following:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Cash and Cash				
Equivalents	\$ 7,733	\$ 7,733	\$ -	\$ -
Stocks	279,029	242,942	36,087	-
Bonds	113,415	113,415	-	-
U.S. Treasury Securities	25,132	25,132	-	-
Hedge Funds	166,902	-	166,902	-
Private Equity	43,820	-	-	43,820
Real Estate Funds	8,377	-	-	8,377
	<u>644,408</u>	<u>389,222</u>	<u>202,989</u>	<u>52,197</u>
Total Funds	<u>\$ 644,408</u>	<u>\$ 389,222</u>	<u>\$ 202,989</u>	<u>\$ 52,197</u>

Investment income (loss) and expenses for the years ended June 30, consisted of the following:

	<u>2009</u>	<u>2008</u>
Interest and Dividend Income	\$ 11,398	\$ 18,640
Realized and Unrealized Losses	<u>(122,004)</u>	<u>(19,844)</u>
Investment Income (Loss)	(110,606)	(1,204)
Investment Expenses	<u>(6,595)</u>	<u>(4,585)</u>
Endowment Investment Loss, Net	<u>(117,201)</u>	<u>(5,789)</u>
Operating Interest Income	<u>2,229</u>	<u>6,990</u>
Total Investment Income (Loss)	<u>\$ (114,972)</u>	<u>\$ 1,201</u>

For information on investment income subsequent to the year end see Note 15.

ABILITIES UNITED  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 5 - PROPERTY AND EQUIPMENT:

The cost and related accumulated depreciation of the property and equipment at June 30, consisted of the following:

	<u>2009</u>	<u>2008</u>
Buildings	\$ 998,649	\$ 998,649
Building Improvements	1,034,898	1,040,624
Furniture and Equipment	564,757	563,444
Transportation Equipment	<u>116,597</u>	<u>116,597</u>
	2,714,901	2,719,314
Less: Accumulated Depreciation	<u>(2,133,177)</u>	<u>(2,069,742)</u>
Property and Equipment, Net	<u>\$ 581,724</u>	<u>\$ 649,572</u>

Depreciation expense for the years ended June 30, 2009 and 2008 totaled \$71,170 and \$67,522, respectively.

NOTE 6 - LINE OF CREDIT:

The Organization entered into a \$250,000 unsecured line of credit agreement with Wells Fargo on December 11, 2007. The line of credit bears interest at prime rate plus 1.5% per annum (4.75% as of June 30, 2009). As of June 30, 2009 and 2008 the amount outstanding was \$200,000 and \$0, respectively.

The line of credit agreement includes restrictive covenants related to the furnishing of the annual audited financial statements no later than 90 days after year end and to maintaining a minimum total unrestricted balance of \$400,000. At June 30, 2009 the Organization was not in compliance with the loan covenant on maintaining a minimum total unrestricted balance of \$400,000. However, in November 2008 the bank suspended these covenants and as of June 30, 2009, the covenants have not been reinstated.

The Organization had a \$250,000 unsecured line of credit with Borel Bank during the year ended June 30, 2008. The line of credit bore an interest rate of prime rate plus 1.5% per annum (6.5% as of June 30, 2008). As of June 30, 2008 no amounts were outstanding. During the year ending ended June 30, 2009 the Organization terminated their line of credit with Borel Bank.

ABILITIES UNITED  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS:

The Organization's temporarily restricted net assets at June 30, consisted of the following:

	<u>2009</u>	<u>2008</u>
Time Restrictions:		
Pledges Receivable	\$ 44,931	\$ -
Endowment Accumulated Earnings - Unappropriated	-	14,030
Purpose Restrictions:		
Aquatic Services	130,244	112,578
Community Connections	76,653	21,723
Fund Development	46,230	-
Early Intervention	32,244	13,057
Employment Services/Independent Living Skills	14,904	47,554
Adult Day Activities	8,935	19,371
Milestones Preschool	6,681	2,500
Creative Recreation	3,972	4,032
After School Socialization	1,374	2,177
Computer Lab Education	1,426	-
Respite	660	1,500
Family	-	994
General Program Use	-	21,765
Children's Development Services	-	34,314
Adult Development Services	-	8,851
Total Temporarily Restricted Net Assets	<u>\$ 368,254</u>	<u>\$ 304,446</u>

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS:

At June 30, 2009, permanently restricted net assets consist of Abilities United's endowment funds (See Note 12).

NOTE 9 - DONATED SERVICES:

During the year ended June 30, 2009, volunteers donated 1,297 hours to the Organization's various programs in professional services such as marketing and financial services. The volunteers performing these services required specialized training. According to SFAS No. 116, since the volunteers required specialized skills to perform these services, they are considered contributed professional services, and the volunteer services are recorded as support in the financial statements. Management has estimated the value of these services for the year ended June 30, 2009 to be \$75,756.

ABILITIES UNITED  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 9 - DONATED SERVICES (Continued):

Volunteers also donated 7,044 hours of non-professional services, such as childcare and general administrative services for the year ended June 30, 2009. Management has estimated the value of these services to be \$142,641. Since these services did not require specialized skills, they have not been recorded as support and expense in the financial statements.

During the year ended June 30, 2008 non-professional services were reported as professional services and were recognized in the financial statements.

NOTE 10 - OPERATING LEASE COMMITMENTS:

The County of Santa Clara leases to Abilities United the land on which Abilities United's offices and swim facility are located. The leases which commenced in October 1979 have a 50 year term with an option to renew for an additional 49 year term. The leases require Abilities United to perform certain functions in consideration of reduced lease payments of \$1 per year for each facility. These leases are considered exchange transactions.

Other facilities were leased under month-to-month terms and the Organization terminated these leases prior to the beginning of the year. Rental expense for the years ended June 30, 2009 and 2008 totaled \$2 and \$21,867, respectively.

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	<u>2009</u>
Purpose Restriction:	
Aquatic Services	\$ 58,734
Employment Services/Independent Living Skills	38,331
Community Connections	31,207
Fund Development	20,535
Adult Development Services	19,953
Early Intervention	15,853
Milestones Preschool	13,163
After School Socialization	2,153
Respite	1,833
Computer Lab Education	1,574
Creative Recreation	60
Time Restriction:	
Pledges Receivable	<u>10,000</u>
Total Net Assets Released from Restrictions	<u>\$ 213,396</u>

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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 12 - ENDOWMENT:

Abilities United, with authorization from its Board of Directors, has entered into an agreement with Silicon Valley Community Foundation (Foundation) to manage, hold in trust, and invest certain assets according to the Foundation's investment policy guidelines. Abilities United's endowment consists of funds established for earnings thereon to support general operations. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board of Directors of Abilities United has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Abilities United classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the California version of UPMIFA. In accordance with the California version of UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Funds with Deficiencies - From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the permanently restricted net assets balance. In accordance with Generally Accepted Accounting Principles (GAAP), deficiencies of this nature that are reported in unrestricted net assets totaled \$(134,173) as of June 30, 2009. These deficiencies resulted from unfavorable market fluctuations that occurred during the year ended June 30, 2009. Subsequent to June 30, 2009 the fair value of the Organization's endowment investments increased. During the period from July 1, 2009 to October 1, 2009, the Organization's endowment investments increased in fair value by approximately \$43,000.

ABILITIES UNITED  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 12 - ENDOWMENT (Continued):

Investment Return Objectives, Risk Parameters and Strategies - Abilities United, with authorization from its Board of Directors, has entered into an agreement with Silicon Valley Community Foundation to manage, hold in trust, and invest its endowment assets according to Silicon Valley Community Foundation's investment policy guidelines. The endowment assets are held in the Silicon Valley Community Foundation Long-Term Growth Pool ("the Pool"). The performance objective of the Silicon Valley Community Foundation Long-Term Growth Pool is to earn a rate of return that is at least equivalent to the rate of inflation plus the spending rate. Thus, the long-term objective of the Pool is to earn a return of at least the Consumer Price Index plus 5%. Given that this benchmark is not directly related to market performance, success or failure in achieving this objective should be evaluated over ten to twenty years.

The Silicon Valley Community Foundation Long-Term Growth Pool is constructed in such a way as to achieve its return objective while minimizing volatility to the degree possible. Silicon Valley Community Foundation believes that this is best accomplished through the use of a well-diversified asset allocation strategy. The Silicon Valley Community Foundation Long-Term Growth Pool has a broad target allocation of 25% fixed income, 50% equity and 25% alternative investments.

Spending Policy - Abilities United's current spending policy for endowment funds is 5% of the fair market value at prior calendar year end.

Endowment net asset composition by type of fund as of June 30, 2009 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ (134,173)	\$ -	\$ 787,121	\$ 652,948

ABILITIES UNITED  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 12 - ENDOWMENT (Continued):

Changes in endowment net assets for the fiscal year ended June 30, 2009 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 14,030	\$ -	\$ 778,106	\$ 792,136
Net Asset Reclassification Based on Change in Law	<u>(14,030)</u>	<u>14,030</u>	<u>-</u>	<u>-</u>
Endowment Net Assets after Reclassification	-	14,030	778,106	792,136
Contributions	-	-	9,015	9,015
Investment Loss	(96,575)	(14,030)	-	(110,605)
Fees	(6,596)	-	-	(6,596)
Amounts Appropriated for Expenditure	<u>(31,002)</u>	<u>-</u>	<u>-</u>	<u>(31,002)</u>
Endowment Net Assets, End of Year	<u>\$ (134,173)</u>	<u>\$ -</u>	<u>\$ 787,121</u>	<u>\$ 652,948</u>

NOTE 13 - RETIREMENT PLAN:

Abilities United maintains a Section 403(b) plan for all employees who are at least 21 years old. Eligibility commences on the date of hire. Total contributions recognized as an expense by Abilities United for the Plan for the years ended June 30, 2009 and 2008 were \$19,712 and \$32,807, respectively.

NOTE 14 - CONTINGENCIES:

Grants and contracts awarded to Abilities United are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs.

ABILITIES UNITED  
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NOTES TO FINANCIAL STATEMENTS  
(Continued)

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NOTE 14 - CONTINGENCIES (Continued):

Management does not anticipate any material questioned costs for the contracts and grants administered during the period. The Organization would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

NOTE 15 - SUBSEQUENT EVENT:

Subsequent to June 30, 2009 the fair value of the Organization's endowment investments increased. During the period from July 1, 2009 to October 1, 2009, the Organization's endowment investments increased in fair value by approximately \$43,000.