friends, neighbors, and coworkers with disabilities

abilities united

Financial Statements
June 30, 2015 and 2014

Together with
Independent Auditors' Report

ABILITIES UNITED
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June 30, 2015

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Abilities United
Palo Alto, California

We have audited the accompanying financial statements of Abilities United (a California public benefit corporation), which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

To the Board of Directors of
Abilities United
Palo Alto, California

INDEPENDENT AUDITORS' REPORT (continued)

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, 2015, and the changes in net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 financial statements, and our report dated October 10, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robert Lee + Associates, LLP

San Jose, California
October 30, 2015

ABILITIES UNITED

Statements of Financial Position

	June 30, 2015	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 349,466	$ 444,608
Accounts receivable, net	321,987	413,280
Grants and bequests receivable	152,700	300,000
Current portion of pledges receivable	91,036	89,036
Prepaid expenses	49,576	75,611
Total current assets	964,765	1,322,535
Property and equipment, net	420,587	522,699
Other assets:		
Endowment investment	875,760	903,316
Long-term portion of pledges receivable	143,111	189,581
Total assets	$ 2,404,223	$ 2,938,131
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	$ 300,000	$ 155,071
Accounts payable	63,478	70,282
Accrued expenses	197,239	220,307
Deferred revenue	27,891	17,806
Total liabilities, all current	588,608	463,466
Net assets:		
Unrestricted net assets	570,201	1,059,989
Temporarily restricted net assets	432,503	601,765
Permanently restricted net assets	812,911	812,911
Total net assets	1,815,615	2,474,665
Total liabilities and net assets	$ 2,404,223	$ 2,938,131

ABILITIES UNITED

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2015 (with comparative totals for the fiscal year ended June 30, 2014)

Support and revenues:	Unrestricted	Temporarily Restricted	Permanently Restricted	2015	2014
Support:					
Contributions	$ 687,205	$ 272,480	$ -	$ 959,685	$ 1,980,779
Special events, net	405,298	-	-	405,298	376,589
Donated services	114,865	-	-	114,865	26,892
Total support	1,207,368	272,480	-	1,479,848	2,384,260
Revenue:					
Fees from governmental agencies for program services	2,945,893	-	-	2,945,893	3,143,339
Program service fees	401,325	-	-	401,325	570,855
Contract income	2,183	-	-	2,183	2,055
Miscellaneous loss	(1,050)	-	-	(1,050)	(162)
Operating interest income	572	-	-	572	1,122
Endowment investment income (loss), net	-	17,511	-	17,511	130,872
Total revenue	3,348,923	17,511	-	3,366,434	3,848,081
Total support and revenues	4,556,291	289,991	-	4,846,282	6,232,341
Net assets released from restrictions	414,186	(414,186)	-	-	-
Amounts appropriated for expenditure	45,067	(45,067)	-	-	-
Total support, revenue, net assets released from restrictions and amounts appropriated for expenditure	5,015,544	(169,262)	-	4,846,282	6,232,341
Expenses:					
Program services	3,738,241	-	-	3,738,241	4,683,479
Supporting services:					
Management and general	1,305,606	-	-	1,305,606	803,880
Fundraising	419,540	-	-	419,540	520,838
Total support services	1,725,146	-	-	1,725,146	1,324,718
Total expenses	5,463,387	-	-	5,463,387	6,008,197
Change in net assets before asset write down	(447,843)	(169,262)	-	(617,105)	224,144
Write down of long lived assets	41,945	-	-	41,945	371,591
Change in net assets	(489,788)	(169,262)	-	(659,050)	(147,447)
Net assets, beginning of year	1,059,989	601,765	812,911	2,474,665	2,622,112
Net assets, end of year	$ 570,201	$ 432,503	$ 812,911	$ 1,815,615	$ 2,474,665

The accompanying notes are an integral part of these financial statements

ABILITIES UNITED

Statements of Functional Expenses

Year ended June 30, 2015 with comparative totals for the year ended June 30, 2014

	Program Services	Supporting Services			Totals	
		Management and General	Fundraising	Total	2015	2014
Salaries and related expenses:						
Salaries	$ 2,576,849	$ 503,066	$ 282,400	$ 785,466	$ 3,362,315	$ 3,815,217
Employee benefits	520,094	64,896	50,753	115,649	635,743	673,098
Payroll taxes	184,263	56,431	16,038	72,469	256,732	292,223
Total salaries and related expenses	3,281,206	624,393	349,191	973,584	4,254,790	4,780,538
Consulting fees	9,322	122,974	-	122,974	132,296	142,786
Contracted services	11,419	242,512	3,375	245,887	257,306	194,828
Travel/ lodging/ meals	134,135	1,556	1,250	2,806	136,941	146,498
Occupancy	28,291	73,872	48	73,920	102,211	119,481
Maintenance and repairs	4,526	27,675	-	27,675	32,201	96,432
Supplies	38,127	18,538	5,631	24,169	62,296	77,434
Telephone	19,049	41,981	513	42,494	61,543	53,581
Bank charges	198	8,068	3,107	11,175	11,373	21,294
Professional fees	-	27,811	-	27,811	27,811	42,359
Donated services	88,023	17,197	9,646	26,843	114,866	26,892
Training	17,665	9,630	2,162	11,792	29,457	38,148
Equipment	1,235	-	-	-	1,235	100
Insurance	45,637	8,916	5,002	13,918	59,555	41,737
Advertising	3,795	34,435	23,105	57,540	61,335	59,819
Bad debt	91	-	-	-	91	15,024
Miscellaneous	-	-	-	-	-	382
Technology	102	17,223	-	17,223	17,325	32,612
Postage	-	6,148	4,768	10,916	10,916	14,724
Awards and recognitions	1,889	2,326	1,564	3,890	5,779	8,704
Dues and publications	859	7,208	15	7,223	8,082	2,361
Taxes and licenses	1,180	1,420	-	1,420	2,600	12,950
Interest	738	1,807	4,601	6,408	7,146	3,088
Total expenses before depreciation	3,687,487	1,295,690	413,978	1,709,668	5,397,155	5,931,772
Depreciation	50,754	9,916	5,562	15,478	66,232	76,425
Total functional expenses	$ 3,738,241	$ 1,305,606	$ 419,540	$ 1,725,146	$ 5,463,387	$ 6,008,197
Percentage of total	68.4%	23.9%	7.7%	31.6%	100.0%	100.0%

ABILITIES UNITED

Statements of Functional Expenses (Details of Program Services)

Year ended June 30, 2014

	Aquatic services	Early intervention	Milestone preschool	Therapy clinic	After school socialization	Respite	Computer lab education	Adult day activities	Independent Living skills	Employment services	Community Connections	Total program services
Salaries and related expenses:												
Salaries	$ 198,981	$ 347,838	$ 204,236	$ 61,274	$ 68,705	$ 188,374	43,120	$ 237,870	$ 715,796	$ 170,399	$ 340,256	$ 2,576,849
Employee benefits	23,546	64,273	28,022	4,731	12,481	16,985	11,407	76,797	185,871	47,561	48,420	520,094
Payroll taxes	14,689	25,025	14,278	4,199	4,848	13,692	2,717	16,884	51,418	12,077	24,436	184,263
Total salaries and related expenses	237,216	437,136	246,536	70,204	86,034	219,051	57,244	331,551	953,085	230,037	413,112	3,281,206
Consulting fees	2,085	6,169	-	1,068	-	-	-	-	-	-	-	9,322
Contracted services	-	-	-	-	-	-	-	-	-	11,419	-	11,419
Travel/ lodging/ meals	5,555	4,268	218	188	-	27,736	-	7,161	77,791	10,873	345	134,135
Occupancy	26,188	266	352	104	320	-	490	259	116	10	186	28,291
Maintenance and repairs	-	-	794	-	-	-	-	1,625	178	-	1,929	4,526
Supplies	5,179	2,312	5,116	194	498	179	-	4,698	13,941	(70)	6,080	38,127
Telephone	4,316	967	619	413	409	334	1,584	1,552	6,599	1,612	644	19,049
Bank charges	-	-	198	-	-	-	-	-	-	-	-	198
Donated services	6,797	11,882	6,976	2,093	2,347	6,435	1,473	8,125	24,451	5,821	11,623	88,023
Training	1,272	7,310	3,661	1,434	147	342	110	649	1,320	266	1,154	17,665
Equipment	704	-	531	-	-	-	-	-	-	-	-	1,235
Insurance	3,524	6,160	3,617	1,085	1,217	3,336	764	4,213	12,677	3,018	6,026	45,637
Advertising	639	-	2,387	400	75	60	120	-	114	-	-	3,795
Bad debt	-	-	91	-	-	-	-	-	-	-	-	91
Technology	60	-	-	-	-	-	-	-	42	-	-	102
Awards and recognitions	341	32	32	10	71	40	-	301	806	65	191	1,889
Dues and publications	-	225	24	-	-	-	-	-	-	610	-	859
Taxes and licenses	-	-	25	-	392	-	-	763	-	-	-	1,180
Interest	-	-	-	-	-	-	-	738	-	-	-	738
Total expenses before depreciation	293,876	476,727	271,177	77,193	91,510	257,513	61,785	361,635	1,091,120	263,661	441,290	3,687,487
Depreciation	3,919	6,851	4,023	1,207	1,353	3,710	849	4,685	14,099	3,356	6,702	50,754
Total functional expenses	$ 297,795	$ 483,578	$ 275,200	$ 78,400	$ 92,863	$ 261,223	$ 62,634	$ 366,320	$ 1,105,219	$ 267,017	$ 447,992	$ 3,738,241
Percentage of total	8.0%	12.9%	7.4%	2.1%	2.5%	7.0%	1.7%	9.8%	29.6%	7.1%	12.0%	100.0%

ABILITIES UNITED
Statements of Cash Flows

	For the Year Ended June 30, 2015	For the Year Ended June 30, 2014
Cash flows from operating activities:		
Change in net assets	$ (659,050)	$ (147,447)
Adjustments to reconcile change in net assets to net cash Provided by (used in) operating activities:		
Depreciation and amortization	65,413	76,426
(Gain)/loss on disposal of fixed assets	41,945	371,590
Changes in operating assets and liabilities:		
Accounts receivable, net	91,293	(92,329)
Pledges receivable	44,470	(129,700)
Grants and bequests receivable	147,300	(300,000)
Prepaid expenses	26,035	(58,880)
Board designated 457 (f) plan assets	-	56,036
Accounts payable	(6,804)	(50,713)
Accrued expenses	(23,068)	(28,966)
Deferred revenue	10,085	(96,520)
457 (f) plan payable	-	(56,036)
Net cash provided by (used in) operating activities	(285,070)	(456,539)
Cash flows from investing activities:		
Acquisition of property and equipment	(5,246)	(56,168)
Acquisition of investments	-	(90,872)
Proceeds from sale of investments	50,245	-
Net cash provided by (used in) investing activities	44,999	(147,040)
Cash flows from financing activities:		
Borrowings on line of credit	944,381	855,497
Repayments on line of credit	(799,452)	(700,426)
Net cash used in financing activities	144,929	155,071
Net change in cash and cash equivalents	(95,142)	(448,508)
Cash and cash equivalents at beginning of year	444,608	893,116
Cash and cash equivalents at end of year	$ 349,466	$ 444,608

Supplemental disclosure of cash flow information:

	2015	2014
Cash paid during the year for interest	$ 7,146	$ 3,088

The accompanying notes are an integral part of these financial statements

ABILITIES UNITED

Notes to Financial Statements

Year Ended June 30, 2015

Note 1 - Organization and operations:

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. The Organization sees a society where there are no barriers, attitudinal or physical, to the full participation of people with disabilities and their families.

Mission - The Organization supports children and adults with disabilities, their families and the community, and champions a culture in which all members of society are included and appreciated for their distinctive contributions.

Program services:

Children's Development Services ensure that children from birth to nine years of age, and their families, learn the techniques and skills needed to get the best possible start in life. These services are provided through Early Intervention, Therapy Clinic services and Milestones Preschool, an inclusion preschool.

Early Intervention **-** Early Intervention services offers in-home and community-based services for families and their children from birth to three years old that have development delays or are at risk of delay. The Organization's multi-disciplinary team of early interventionists, inclusion specialists, and therapists provides structured developmental and educational opportunities. Family participation and 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 **-** Milestones Preschool is a relationship-based developmental program providing preschool in an inclusionary environment, supporting children aged 2-5 years and their families. As an inclusion program, Milestones Preschool serves small groups of children from 2 to 5 years of age both with and without developmental delays or risk factors. The program focuses on individual growth and progress for each child in all developmental domains, using project-based curriculum, access to specialized services, and collaboration with the Early Intervention and Therapy Clinic services.

Therapy Clinic - The Therapy Clinic offers quality developmental and therapeutic services for children from birth to 9 years of age, fee-for-service, in a clinic setting. The Organization believes in a family oriented, collaborative approach that emphasizes parent/caregiver involvement and partnership with other professionals who work with the children. The Organization's therapists and staff are trained pediatric specialists with extensive experience and knowledge regarding resources and interventions for young children. In collaboration with other early childhood professionals, the Therapy Clinic provides high quality 1:1 therapeutic (occupational, physical, speech, vocational therapies) services as well as small group services such as social skill development groups, which improve the quality of life for the children and their family.

ABILITIES UNITED

Notes to Financial Statements

Year Ended June 30, 2015

Note 1 - Organization and operations (continued):

Adult Services assists individuals with developmental or other disabilities to fully participate in their community through employment, educational, recreational, social, and volunteer activities. Using community resources and experiences, Adult Services Specialists and Community Training Instructors assist individuals to acquire or expand their skills through the Adult Day Activities, Community Connections, Independent Living Skills, and Employment Services programs.

Adult Day Activities **-** At Adult Day Activities, adults choose from a variety of activities to experience new opportunities and learn daily living and community skills. Participants 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 men and women we serve make their own goals, choices, and decisions with whatever support and assistance they need from their family, friends, and Adult Day Activities staff.

Community Connections **-** As a member of the community, the men and women we serve have access to many free public resources and activities. They choose from a variety of social and volunteer activities that provide opportunities to give back to their community in meaningful ways. Participants also have opportunities to make new friends and learn exciting new skills. At Community Connections, participants can volunteer at dozens of local nonprofit organizations, learn skills through the Organization's educational series, and develop communication integration and independence skills when they help produce the Community Connections cable TV show and newsletters.

Independent Living Skills **-** The men and women we serve in Independent Living Skills may already have many life skills, but the Organization can assist in acquiring additional ones through this program. In Independent Living Skills (ILS), adults work 1:1 with their Adult Services Specialists to learn the additional daily living skills they need to be as independent as possible. A customized plan is created with the person-served, and encompasses personal/social goals, domestic goals, financial goals and community goals.

Employment Services - For those adults looking for paid employment; Employment Services has a variety of services to support them. This program assists men and women attain work skills to complement those they already have. Through their work with the employment services specialists and job developers, participants may access employment preparation services, assistance with interviewing, job development and placement services, and coaching services, and personal, vocational and social adjustment services for employment success.

Family Support helps families remain together and grow together, as a strong and healthy unit. Support is provided through After School Socialization, Computer Lab Education and Respite programs.

Note 1 - Organization and operations (continued):

After School Socialization - 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 intellectual / developmental or other disability. Each day offers children and young adults the opportunity to learn the daily living skills that help them to do well in school and social settings, to become more independent, to enjoy recreational opportunities with their peers, and to transition into community afterschool programs that serve children from all walks of life. Additionally, this program offers two summer camps—Creative Discoveries Camp and Summer's Excellent Adventure Camp, an inclusionary summer camp in partnership with the city of Palo Alto.

Computer Education - The Organization's Computer Education Program offers accessible computer and technology classes to help men, women and children of all ages and all abilities develop their everyday living skills and increase their level of independence through training in computer access, academic and daily living skills. Classes may be 1:1 or small group, and can be customized based on an individual's goals. Each computer station at the campus classroom is wheelchair accessible and equipped with adaptive technology tools to accommodate limited range of motion, visual and hearing impairment, or other special needs. A variety of educational software packages designed by education specialists are utilized to teach the various skill sets. Computer Education classes can also be accessed in the community at community partner locations.

Respite - Respite / Home Companion services provides highly trained home companions for families caring for a family member with an intellectual/ developmental or other disability. The Organization's companions work in private homes and in varied community settings throughout Santa Clara and San Mateo counties, providing care, companionship and fun activities for the person-served of all ages, and giving respite to parents and other primary care givers so that they can go to work, school, vacation, run errands, or care for other family members.

Aquatic Services - Betty Wright Aquatic Services, through partnership with local community aquatic sites, includes continuum of care services for rehabilitation and fitness goals, and a swim school offering learn-to-swim lessons and adapted aquatics. These services, provided by experienced and skilled practitioners and recreational instructors, serve a diverse cross-section of the community and people of all ages and abilities. All service offerings are overseen by an Aquatic Physical Therapist / Clinical Services Supervisor.

Services include personalized assessments, performed by an Aquatic Physical Therapist, 1:1 hydrotherapy / personal training, small group fitness classes, adapted aquatics, summertime water safety classes, and both 1:1 and semi-private swim lessons for children.

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

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and, accordingly, reflect all significant receivables, payables and other liabilities.

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. The Organization reports information regarding its financial position and operating activities in three classes of 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 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 revenue received in the current year for which the restrictions have been met in the current year.
- *Temporarily restricted net assets* - include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting year.
- *Permanently restricted net assets* - include those assets which are subject to a non-expiring donor restriction, such as endowments.

Functional expense allocations - The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, specifically identified expenses are charged to the applicable program. The remaining costs are allocated among the programs and services benefited based on management estimates.

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, 2014, from which the summarized information was derived.

Use of estimates - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates under different assumptions or conditions.

Note 2 - Summary of significant accounting policies (continued):

Revenue recognition - The Organization's programs are supported by government grants and contracts, earned revenue, and by contributions from individuals, corporations and organizations. The Organization recognizes support and revenue on the accrual basis of accounting. Grants and contracts which are exchange transactions (service contracts) are recognized as program service fees in the period in which the service is provided. These contracts are reported as an increase in unrestricted revenue if expenditures are incurred in the current period that effectively fulfilled the conditions of the contract.

Earned revenue is recognized when the organization provides a service or class through one of its programs. A majority of the program revenue is generated and collected at the point of service but some have a billing schedule that the organization provides because of the length of the service provided.

Contributions are recognized when the donor makes a pledge that is, in substance, an unconditional promise to give. Unconditional promises to give 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 period. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the promissor. There were no conditional promises to give at June 30, 2015 and 2014.

In-kind contributions - Significant donated equipment, facility and other goods are recorded at their estimated fair market value as of the date of receipt. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair market value at the time the services are rendered. The Organization may also receive donated services that do not require specific expertise but which are nonetheless central to the Organization's operations; these amounts are not recorded.

Cash and cash equivalents - Cash and cash equivalents include demand deposits in banks, money market funds and liquid asset accounts held in brokerage accounts with a maturity of three months or less. The carrying amount in the Statements of Financial Position approximates fair value.

Certificates of deposit - Certificates of deposit are carried at fair value. Income from the certificates of deposit is recorded when earned. During fiscal year ended June 30, 2015, the Organization redeemed all of its investments in certificates of deposit.

Note 2 - Summary of significant accounting policies (continued):

Accounts receivable and allowance for doubtful accounts - Accounts receivable consists primarily of amounts billed for services provided. The Organization provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The valuation allowances were approximately $10,000 at June 30, 2015 and 2014.

Grants receivable - The Organization receives grants which may be granted and paid within the same year granted or payable to the Organization over multiple years. The Organization discounts the multi-year grants receivable at a reasonable rate of interest based on the U.S. Treasury Strip Coupon Rate, when material to the financial statements.

Bequests receivable - The Organization records a bequest receivable when it receives written notification that it has been named as a beneficiary of an irrevocable trust or estate for which the amount to be received has been made known or an estimate has been provided by the executor of the estate. If appropriate, the amount is adjusted for fair value measurements, if measureable.

Pledges received and receivable - Pledges received are reported as unrestricted, temporarily restricted or permanently restricted, depending upon donor restrictions, if any.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions that are promised in one year but are not expected to be collected until after the end of the year are recorded at fair value which includes among other factors, a discount at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. There were no conditional pledges as of June 30, 2015 and 2014.

Investments - The Organization's investments are valued in accordance with GAAP, including Fair Value Measurements. Investments consist primarily of investments in the Silicon Valley Community Foundation investment pool. Gains and losses that result from market fluctuations are recognized in the year such fluctuations occur. Realized gains or losses resulting from sales or maturities are determined by comparison of specific costs of acquisition to proceeds at the time of disposal. Dividend and interest income are recognized when earned.

ABILITIES UNITED

Notes to Financial Statements

Year Ended June 30, 2015

Note 2 - Summary of significant accounting policies (continued):

Fair value of financial instruments - Financial instruments included in the Organization's statements of financial position as of June 30, 2015 and 2014 include cash and cash equivalents, receivables, investments, accounts payable and accrued expenses. The balances of these instruments represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying statements of financial position at their estimated fair values using methodologies described above.

Prepaid expenses - Prepaid expenses primarily consists of payments made associated with the Organization's workers compensation, liability insurance and certain event prepaid expenses. Such prepayments are amortized over the term of the related insurance coverage or at the time the event occurs.

Property, equipment, depreciation and amortization - Property and equipment are recorded at cost, or if contributed, at the estimated fair market value when donated. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. There were no restrictions placed on property plant and equipment at June 30, 2015 and 2014.

Depreciation and amortization is computed using the straight-line method over estimated useful lives of the related assets which range from five to thirty nine years. The Organization capitalizes all expenditures for fixed assets in excess of $500. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Long-lived assets - The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. During 2014 the Organization determined the pool at the Betty Wright Swim Center was no longer usable and impaired the assets associated with the swim center.

Accrued vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2015 and 2014. The accrued vacation balance as of June 30, 2015 and 2014 was approximately $134,000 and $170,000, respectively.

Concentration of credit risk - Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash, cash equivalents and receivables. The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. At times, such amounts might exceed Federal Deposit Insurance Corporation ("FDIC") limits. It is the Organization's opinion that it is not exposed to any significant credit risks.

Note 2 - Summary of significant accounting policies (continued):

Concentration of revenue sources - For the years ending June 30, 2015 and 2014, approximately 84% and 78%, respectively, of the Organization's revenue is derived from contracts from two governmental entities. These same two governmental entities accounted for 45% and 63% of accounts receivable balance for June 30, 2015 and 2014, respectively.

Accounting for uncertainty in income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2015 management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2012 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2011 and forward.

Advertising - The Organization's policy is to expense advertising costs as the costs are incurred. Advertising expenses for the years ended June 30, 2015 and 2014 totaled approximately $61,000 and $60,000, respectively.

Endowment accounting and interpretation of relevant law - The Organization is subject to the State of California enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), the provisions of which apply to its endowment funds. As required by UPMIFA and GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Reclassifications - Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Subsequent events - Subsequent events are evaluated through the date of the independent auditors' report, which is the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2015.

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Notes to Financial Statements
Year Ended June 30, 2015

Note 3 - Investments:

The Organization follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The Organization's investments are classified as level 3 investments using significant unobservable inputs and are as follows as of June 30:

	2015	2014
Community Foundation pool	$ 875,760	$ 903,316

The following schedule summarizes total investment returns as of June 30:

	2015	2014
Realized gains	$ 72,430	$ 53,155
Unrealized gains (loss)	(49,741)	79,144
Interest and dividends	8,180	8,776
Total investment income	30,869	141,075
Investment related expenses	(13,358)	(10,203)
Total investment returns net of management fees	17,511	130,872
Operating interest income	572	1,122
Total investment income	$ 18,083	$ 131,994

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment.

Note 3 - Investments (continued):

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a reoccurring basis using significant unobservable inputs (Level 3):

	2015	2014
Beginning balance	$ 903,316	$ 812,444
Realized gains	72,430	53,155
Unrealized gains (losses)	(49,741)	79,144
Interest and dividends	8,180	8,776
Fees	(13,358)	(10,203)
Contributions	-	5,000
Disbursements	(45,067)	(45,000)
Transfers in and/or out of Level 3	-	-
Ending balance	$ 875,760	$ 903,316

The Organization uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments in the Silicon Valley Community Foundation Investment Pool which does not have a readily determinable fair value. The Silicon Valley Community Foundation prepares its financial statements consistent with the measurement principles of an investment company. The Silicon Valley Community Foundation obtains pricing and valuations using prices from custodian banks and its pricing vendors quarterly, and audited financial statements from managers of private equity and hedge funds, and through initial and ongoing due diligence and monitoring by investment consultants, staff and the investment committee. At June 30, 2015, the Organization had no unfunded commitments and all its investments in the investment pool can be redeemed at any time by written request with certain restrictions for large withdrawals and full redemption.

Note 4 – Pledges, grants and bequests receivable:

Pledges receivable - Unconditional promises to give, which are not expected to be collected until after the year contributed, are reflected in the accompanying financial statements as pledges receivable and revenue in the appropriate net asset category. Pledges receivable are recorded at fair value which includes a discount rate of 2.1% at June 30, 2015.

Note 4 – Pledges, grants and bequests receivable (continued):

Pledge receivables consist of the following at June 30:

	2015	2014
Receivables in less than one year	$ 91,036	$ 89,036
Receivables in one to five years	147,500	197,000
	238,536	286,036
Less: discount to net present value	(4,389)	(7,419)
	234,147	278,617
Less: current portion	(91,036)	(89,036)
Non-current portion	$ 143,111	$ 189,581

Grants receivable - The Organization had total grants receivable of $77,700 at June 30, 2015. All amounts are expected to be collected during the year ended June 30, 2016. There was $50,000 of grants receivables at June 30, 2014.

Bequests receivable - The Organization had total bequests receivable of $75,000 at June 30, 2015. All amounts are expected to be collected during the year ended June 30, 2016. There was $250,000 of bequests receivables at June 30, 2014.

Note 5 - Property and equipment:

Property and equipment consists of the following at June 30:

	2015	2014
Leasehold improvements:		
Buildings	$ 773,836	$ 773,836
Building improvements	540,589	583,356
Furniture and equipment	272,293	265,403
Transportation equipment	196,647	196,647
	1,783,365	1,819,242
Less: accumulated depreciation and amortization	(1,362,778)	(1,296,543)
Property and equipment, net	$ 420,587	$ 522,699

Depreciation and amortization expense was approximately $66,000 and $76,000 for the years ended June 30, 2015 and 2014, respectively. Leasehold improvements are buildings and building improvements that were constructed on County owned land. See Note 11 for further detail.

Note 6 - Line of credit:

The Organization renewed a $300,000 line of credit agreement with Wells Fargo in April 2015 for a one year term. The line is secured by various assets and bears interest at the greater of a floating rate equal to the prime rate plus 1% or the floor rate of 4%.

Note 7 - Board designated net assets:

Operating reserve - The Organization has historically maintained an operating reserve to permit the Organization to continue to operate during difficult financial times. The primary investment objective of this policy is capital preservation and liquidity. Due to the current economic conditions of the Organization primarily related to the closure of the Betty Wright Swim Center, the Organization determined as of June 30, 2014 that it was in their best interest to release the designated funds for current operations.

Note 8 - Temporarily restricted net assets and net assets released from restrictions:

The temporarily restricted net asset activity for the year ended June 30, 2015 was as follows:

	2014	Additions	Releases	2015
Time Restrictions:				
Pledges receivable	$ 278,617	$ 234,147	$ (278,617)	$ 234,147
Endowment accumulated earnings - unappropriated	90,405	17,511	(45,067)	62,849
Purpose Restrictions:				
Aquatic services	26,267	-	(7,000)	19,267
Early intervention	11,368	-	(11,368)	-
Adult day activities	87,193	-	(78,416)	8,777
Fund development	14,208	10,000	(11,418)	12,790
Technology	83,130	28,333	(16,790)	94,673
Community connections	459	-	(459)	-
Milestones preschool	7,803	-	(7,803)	-
After school socialization	2,315	-	(2,315)	-
Total temporarily restricted net assets	$ 601,765	$ 289,991	$ (459,253)	$ 432,503

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Notes to Financial Statements
Year Ended June 30, 2015

Note 8 - Temporarily restricted net assets and net assets released from restrictions:

The temporarily restricted net asset activity for the year ended June 30, 2014 was as follows:

	2013	Additions	Releases	2014
Time Restrictions:				
Pledges receivable	$ 148,917	$ 227,500	$ (97,800)	$ 278,617
Endowment accumulated earnings - unappropriated	4,533	130,872	(45,000)	90,405
Purpose Restrictions:				
Aquatic services	109,335	2,000	(85,068)	26,267
Early intervention	35,888	4,543	(29,063)	11,368
Adult day activities	11,219	98,304	(22,330)	87,193
Fund development	8,448	19,000	(13,240)	14,208
Technology	-	100,000	(16,870)	83,130
Community connections	3,241	-	(2,782)	459
Milestones preschool	28,369	5,001	(25,567)	7,803
After school socialization	-	2,315	-	2,315
Total temporarily restricted net assets	$ 349,950	$ 589,535	$ (337,720)	$ 601,765

Note 9 – Permanently restricted net assets:

At June 30, 2015 and 2014, permanently restricted net assets consist of the Organization's endowment funds (see Note 12).

Note 10 - Donated services:

During the years ended June 30, 2015 and 2014, individuals volunteered their time to the Organization's various programs in professional services such as marketing and financial services. The volunteers performing these services required specialized training. 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 years ended June 30, 2015 and 2014 to be $114,865 and $26,892, respectively.

During the years ended June 30, 2015 and 2014, volunteers also donated 7,111 and 10,637 hours of non-professional services, respectively, such as childcare and general administrative services. Management has estimated the values of these services for the years ended June 30, 2015 and 2014 to be approximately $188,000 and $227,000 in each year, respectively. Since these services did not require specialized skills, they have not been recorded as support and expense in the financial statements.

Note 11 - Operating lease commitment:

Facility lease - The County of Santa Clara leases two parcels of land to the Organization on which the Organization’s facilities are located. The leases, which commenced in April 1965 and October 1979, have a 50-year term with an option to renew for an additional 49-year term. The leases require the Organization to perform certain functions in consideration of reduced lease payments of $1 per year for each facility. These leases are considered exchange transactions. Rental expense for years ended June 30, 2015 and 2014 totaled $2 for each year.

In September 2015, the County of Santa Clara and the Organization renegotiated the lease renewal option on both parcels of land. Under the new agreement one lease has been extended to April 2050 with an option to renew for 14-years. The other lease will expire in October 2022 with an option to renew for 2-years.

Equipment lease - The Organization leases three pieces of office equipment which expire in 2019. The minimum lease obligations are as follows:

Year ending June 30,		
2016	$	8,928
2017		8,928
2018		8,928
2019		4,464
Total	$	31,248

Note 12 - Endowment:

The Organization, with authorization from its Board of Directors, has entered into an agreement with Silicon Valley Community Foundation (the "Foundation") to manage, hold in trust, and invest certain assets according to the Organization's investment policy guidelines. The Organization's endowment consists of funds established for earnings thereon to support general operations. As required by 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 the Organization 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, the Organization 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

Investment Return Objectives, Risk Parameters and Strategies - The endowment assets are held in the Silicon Valley Community Foundation Long-Term Growth Pool (the "Pool"). The performance objective of the 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.

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Notes to Financial Statements
Year Ended June 30, 2015

Note 12 - Endowment (continued):

The 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 - The Organization's current spending policy for endowment funds is 5% of the fair market value at prior calendar year end.

Changes in endowment net assets for the fiscal year ended June 30, 2015 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 90,405	$ 812,911	$ 903,316
Investment income		30,868	-	30,868
Fees	-	(13,357)	-	(13,357)
Amounts appropriated for expenditure	-	(45,067)	-	(45,067)
Endowment net assets, end of year	$ -	$ 62,849	$ 812,911	$ 875,760

Note 12 - Endowment (continued):

Changes in endowment net assets for the fiscal year ended June 30, 2014 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 4,533	$ 807,911	$ 812,444
Contributions	-	-	5,000	5,000
Investment income		141,075	-	141,075
Fees	-	(10,203)	-	(10,203)
Amounts appropriated for expenditure	-	(45,000)	-	(45,000)
Endowment net assets, end of year	$ -	$ 90,405	$ 812,911	$ 903,316

Note 13 - Defined contribution plans:

The Organization has a defined contribution plan under Section 403(b) of the Internal Revenue code. The plan covers all employees who are at least 21 years old. Eligibility commences on the date of hire. The Organization has not made any matching contributions to the Plan for the years ended June 30, 2015 and 2014.