friends, neighbors, and coworkers with disabilities

abilities united

Financial Statements
June 30, 2016 and 2015

Together with
Independent Auditors' Report

ABILITIES UNITED
Table of Contents
June 30, 2016

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, 2016, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinions.

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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robert Lee + Associates, LLP

San Jose, California
September 30, 2016

ABILITIES UNITED
Statements of Financial Position

		June 30,		
		2016		2015
ASSETS				
Current assets:				
Cash and cash equivalents	$	66,449	$	349,466
Accounts receivable, net		365,129		321,987
Grants and bequests receivable, net		654,319		152,700
Current portion of pledges receivable		135,436		91,036
Prepaid expenses		12,357		49,576
Total current assets		1,233,690		964,765
Property and equipment, net		358,944		420,587
Other assets:				
Endowment investment		1,261,853		875,760
Long-term portion of pledges receivable, net		204,146		143,111
Total assets	$	3,058,633	$	2,404,223
LIABILITIES AND NET ASSETS				
Current liabilities:				
Line of credit	$	102,590	$	300,000
Accounts payable		28,393		63,478
Accrued expenses		224,876		197,239
Deferred revenue		18,210		27,891
Total liabilities, all current		374,069		588,608
Net assets:				
Unrestricted net assets		896,819		570,201
Temporarily restricted net assets		511,383		432,503
Permanently restricted net assets		1,276,362		812,911
Total net assets		2,684,564		1,815,615
Total liabilities and net assets	$	3,058,633	$	2,404,223

ABILITIES UNITED

Statements of Activities and Changes in Net Assets

Year Ended June 30, 2016 (with comparative totals for the fiscal year ended June 30, 2015)

Support and revenues:	Unrestricted	Temporarily Restricted	Permanently Restricted	2016	2015
Support:					
Contributions	$ 1,133,503	$ 480,982	$ 463,451	$ 2,077,936	$ 959,685
Special events, net	392,038	-	-	392,038	405,298
Donated services	20,973	-	-	20,973	114,865
Total support	1,546,514	480,982	463,451	2,490,947	1,479,848
Revenue:					
Fees from governmental agencies for program services	3,048,222	-	-	3,048,222	2,945,893
Program service fees	627,675	-	-	627,675	401,325
Contract income	3,728	-	-	3,728	2,183
Miscellaneous loss	-	-	-	-	(1,050)
Operating interest income	137	-	-	137	572
Endowment investment income (loss), net	-	(35,462)	-	(35,462)	17,511
Total revenue	3,679,762	(35,462)	-	3,644,300	3,366,434
Total support and revenues	5,226,276	445,520	463,451	6,135,247	4,846,282
Net assets released from restrictions	339,253	(339,253)	-	-	-
Amounts appropriated for expenditure	27,387	(27,387)	-	-	-
Total support, revenue, net assets released from restrictions and amounts appropriated for expenditure	5,592,916	78,880	463,451	6,135,247	4,846,282
Expenses:					
Program services	3,772,944	-	-	3,772,944	3,738,241
Supporting services:					
Management and general	1,183,214	-	-	1,183,214	1,305,606
Fundraising	310,141	-	-	310,141	419,540
Total support services	1,493,354	-	-	1,493,354	1,725,146
Total expenses	5,266,298	-	-	5,266,298	5,463,387
Change in net assets before asset write down	326,618	78,880	463,451	868,949	(617,105)
Impairment of long-lived assets	-	-	-	-	41,945
Change in net assets	326,618	78,880	463,451	868,949	(659,050)
Net assets, beginning of year	570,201	432,503	812,911	1,815,615	2,474,665
Net assets, end of year	$ 896,819	$ 511,383	$ 1,276,362	$ 2,684,564	$ 1,815,615

ABILITIES UNITED

Statements of Functional Expenses

Year ended June 30, 2016 (with comparative totals for the year ended June 30, 2015)

	Program Services	Supporting Services			Totals	
		Management and General	Fundraising	Total	2016	2015
Salaries and related expenses:						
Salaries	$ 2,699,201	$ 532,419	$ 228,675	$ 761,093	$ 3,460,294	$ 3,362,315
Employee benefits	470,661	146,538	32,212	178,751	649,411	635,743
Payroll taxes	189,323	58,669	9,510	68,179	257,502	256,732
Total salaries and related expenses	3,359,184	737,626	270,397	1,008,023	4,367,207	4,254,790
Contracted services	77,052	75,107	3,256	78,363	155,415	257,306
Travel/ lodging/ meals	123,060	634	-	634	123,693	136,941
Occupancy	51,704	41,302	5,096	46,398	98,102	102,211
Insurance	49,659	10,904	3,978	14,883	64,542	59,555
Telephone	15,334	46,363	1,228	47,591	62,925	61,543
Supplies	35,317	14,943	5,056	19,999	55,316	62,296
Advertising	606	39,513	11,367	50,880	51,485	61,335
Professional fees	-	36,411	-	36,411	36,411	27,811
Technology	3,310	26,048	-	26,048	29,358	17,325
Training	2,355	24,577	444	25,021	27,376	29,457
Bank charges	-	23,576	536	24,112	24,112	11,373
Maintenance and repairs	569	23,208	-	23,208	23,777	32,201
Consulting fees	-	21,000	-	21,000	21,000	132,296
Donated services	-	20,973	-	20,973	20,973	114,866
Postage	169	8,635	3,934	12,569	12,738	10,916
Interest	-	11,443	-	11,443	11,443	7,146
Dues and publications	-	5,153	277	5,430	5,430	8,082
Awards and recognitions	863	3,898	110	4,008	4,872	5,779
Taxes and licenses	2,186	555	-	555	2,741	2,600
Equipment	1,141	271	422	693	1,833	1,235
Bad debt	-	-	-	-	-	91
Total expenses before depreciation and amortization	3,722,509	1,172,139	306,100	1,478,239	5,200,749	5,397,155
Depreciation and amortization	50,434	11,075	4,040	15,115	65,549	66,232
Total functional expenses	$ 3,772,944	$ 1,183,214	$ 310,141	$ 1,493,354	$ 5,266,298	$ 5,463,387
Percentage of total	71.6%	22.5%	5.9%	28.4%	100.0%	100.0%

The accompanying notes are an integral part of these financial statements

ABILITIES UNITED

Statements of Functional Expenses (Details of Program Services)

Year ended June 30, 2016

	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	Integrated living	Total program services
Salaries and related expenses:													
Salaries	$ 143,439	$ 349,200	$ 278,996	$ 48,289	$ 81,348	$ 216,984	42,421	$ 198,545	$ 700,755	$ 177,595	$ 388,948	$ 72,681	$ 2,699,201
Employee benefits	20,160	43,412	47,240	4,495	14,625	33,225	6,508	41,193	125,219	46,616	80,232	7,736	470,661
Payroll taxes	10,016	24,413	18,900	3,563	5,720	15,435	2,755	14,181	49,636	12,551	27,343	4,812	189,323
Total salaries and related expenses	173,615	417,025	345,136	56,347	101,693	265,643	51,684	253,919	875,609	236,762	496,523	85,229	3,359,184
Contracted services	2,101	11,686	23,491	3,542	1,230	3,214	625	3,072	10,594	10,458	6,008	1,031	77,052
Travel/ lodging/ meals	2,175	10,097	-	-	-	18,554	24	9,368	65,709	11,111	861	5,160	123,060
Occupancy	14,507	8,183	6,536	1,192	1,926	-	-	4,978	59	4,484	9,500	339	51,704
Insurance	2,567	6,165	5,102	833	1,503	3,927	764	3,754	12,944	3,500	7,340	1,260	49,659
Telephone	793	1,904	1,575	257	464	1,213	236	1,159	3,997	1,081	2,267	389	15,334
Supplies	133	1,572	5,186	2,709	1,314	70	64	5,940	11,150	252	4,776	2,152	35,317
Advertising	77	-	316	-	-	-	-	-	213	-	-	-	606
Technology	3,310	-	-	-	-	-	-	-	-	-	-	-	3,310
Training	251	719	16	145	50	67	5	177	439	344	119	23	2,355
Maintenance and repairs	-	-	-	-	-	-	-	14	-	-	555	-	569
Postage	-	-	169	-	-	-	-	-	-	-	-	-	169
Awards and recognitions	-	-	-	-	-	22	-	603	129	74	36	-	863
Taxes and licenses	-	-	726	-	-	-	-	1,460	-	-	-	-	2,186
Equipment	99	491	-	550	-	-	-	-	-	-	-	-	1,141
Total expenses before depreciation and amortization	199,628	457,842	388,254	65,574	108,181	292,709	53,402	284,444	980,843	268,066	527,985	95,584	3,722,509
Depreciation and amortization	2,607	6,261	5,182	846	1,527	3,988	776	3,812	13,146	3,555	7,455	1,280	50,434
Total functional expenses	$ 202,234	$ 464,103	$ 393,435	$ 66,420	$ 109,708	$ 296,697	$ 54,178	$ 288,256	$ 993,989	$ 271,620	$ 535,439	$ 96,864	$ 3,772,944
Percentage of total	5.4%	12.3%	10.4%	1.8%	2.9%	7.9%	1.4%	7.6%	26.3%	7.2%	14.2%	2.6%	100.0%

The accompanying notes are an integral part of these financial statements

ABILITIES UNITED
Statements of Cash Flows

	For the Year Ended June 30, 2016	For the Year Ended June 30, 2015
Cash flows from operating activities:		
Change in net assets	$ 868,949	$ (659,050)
Adjustments to reconcile change in net assets to net cash Provided by (used in) operating activities:		
Depreciation and amortization	65,549	66,232
Net realized and unrealized losses on investments	32,907	(22,689)
Impairment of long-lived assets	-	41,945
Change in allowance for doubtful bequests receivable	24,000	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(43,142)	91,293
Pledges receivable	(105,435)	44,470
Grants and bequests receivable	(525,619)	147,300
Prepaid expenses	37,219	26,035
Accounts payable	(35,085)	(6,804)
Accrued expenses	27,637	(23,068)
Deferred revenue	(9,681)	10,085
Net cash provided by (used in) operating activities	337,299	(284,251)
Cash flows from investing activities:		
Acquisition of property and equipment	(3,906)	(6,065)
Acquisition of investments	(469,782)	-
Proceeds from sale of investments	50,782	50,245
Net cash provided by (used in) investing activities	(422,906)	44,180
Cash flows from financing activities:		
Borrowings on line of credit	102,590	944,381
Repayments on line of credit	(300,000)	(799,452)
Net cash provided by (used in) financing activities	(197,410)	144,929
Net change in cash and cash equivalents	(283,017)	(95,142)
Cash and cash equivalents at beginning of year	349,466	444,608
Cash and cash equivalents at end of year	$ 66,449	$ 349,466

Supplemental disclosure of cash flow information:

	2016	2015
Cash paid during the year for interest	$ 11,443	$ 7,146

The accompanying notes are an integral part of these financial statements

ABILITIES UNITED

Notes to Financial Statements

Year Ended June 30, 2016

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.

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.

Tailored Day Services - In lieu of the Day Program, if participants prefer to work with a one-to-one life skills coach and customize their training to fit their unique needs, the Tailored Day service is the right choice for them. The participants determine how they spend their time and can chose from volunteer work, computer education, social activities, post-secondary education, daily living skills, or their own special interests.

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.

Integrated Living Services - Integrated Living Program is a comprehensive, individualized two-year long program designed for adults over age 18, with developmental disabilities, to learn the daily life skills needed to be self-sufficient and live independently in their community.

Note 1 - Organization and operations (continued):

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.

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.

Note 1 - Organization and operations (continued):

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.

ABILITIES UNITED

Notes to Financial Statements

Year Ended June 30, 2016

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

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, 2015, 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.

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, 2016 and 2015.

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

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.

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 allowance was $10,000 at June 30, 2016 and 2015.

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 Federal Prime 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. An allowance for doubtful bequests receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and current aging of contributions receivable. The valuation allowance was $24,000 at June 30, 2016. There was no valuation allowance at June 30, 2015.

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

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

Pledges received and receivable (continued) - 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, 2016 and 2015.

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 and a Wells Fargo Savings Account. 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.

Fair value of financial instruments - Financial instruments included in the Organization's statements of financial position as of June 30, 2016 and 2015 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.

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

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, 2016 and 2015.

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 partially impaired the assets associated with the swim center. The asset was fully impaired in 2015.

Accrued vacation - Accrued vacation represents vacation earned, but not taken as of June 30, 2016 and 2015. The accrued vacation balance as of June 30, 2016 and 2015 was approximately $157,000 and $134,000, 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.

Concentration of revenue sources - For the years ending June 30, 2016 and 2015, approximately 80% and 84%, respectively, of the Organization's revenue is derived from contracts from two governmental entities. These same two governmental entities accounted for 71% and 72% of accounts receivable balance for June 30, 2016 and 2015, respectively.

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

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, 2016 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, 2013 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2012 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, 2016 and 2015 totaled approximately $51,000 and $61,000, respectively.

Endowment accounting and interpretation of relevant law - The Organization is subject to the State Prudent Management of Institutional Funds Act (SPMIFA), the provisions of which apply to its endowment funds. As required by SPMIFA 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.

Recent accounting pronouncements - In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2016-14 “Not-for-Profit Entities: Presentation of Financial Statements for Not-for-Profit Entities.” The ASU is intended to improve identified issues about the current financial reporting for Not-for-Profits. This ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted. Management has not determined the impact of this pronouncement.

ABILITIES UNITED

Notes to Financial Statements

Year Ended June 30, 2016

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

Recent accounting pronouncements (continued) - In February 2016, the FASB issued FASB ASU No. 2016-02 “Leases.” The ASU is intended to increase transparency and comparability between organizations recognizing lease assets and liabilities by recognizing lease assets and lease liabilities on the balance sheet and increasing the related disclosures. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020. Early application is permitted. Management has not determined the impact of this pronouncement.

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) No. 2014-09 “Revenue from Contracts with Customers (Topic 606)”. The ASU provides guidance over the core principle of recognizing revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods. ASU 2014-09 will supersede the revenue recognition requirements in FASB Accounting Standard Codification (ASC) 605, "Revenue Recognition", and most industry-specific guidance throughout the Industry Topics of the FASB ASC. The purpose of the new standard is to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and International Financial Reporting Standards (IFRS). In August 2015, the FASB issued ASU 2015-14 “Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date” which will defer the effective date of ASU No. 2014-09 "Revenue from Contracts with Customers" for all entities by one year. In March 2016, the FASB issued ASU No. 2016-08 “Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations. The ASU improves operability and understandability of Topic 606 in principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10 “Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing”. The ASU expands on Topic 606 with clarification over identifying performance obligations and licensing. For non-public entities, the effective date will be effective for annual reporting periods beginning after December 15, 2018 and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted under several options, the earliest for a year beginning after December 15, 2016 and interim periods within that year. Various retrospective application methods are available. Management has not determined the impact on the 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, 2016.

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 following are major categories measured at fair value on a reoccurring basis:

- Level 1: Quoted prices in active markets for identical assets
- Level 3: Significant unobservable inputs

	Year Ended June 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash/savings account	$ 464,218	$ -	$ -	$ 464,218
Community Foundation pool	-	-	797,635	797,635
	$ 464,218	$ -	$ 797,635	$ 1,261,853

	Year Ended June 30, 2015			
	Level 1	Level 2	Level 3	Total
Community Foundation pool	$ -	$ -	$ 875,860	$ 875,860

Note 3 - Investments (continued):

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

	2016	2015
Realized gains and losses, net	$ 11,701	$ 72,430
Unrealized gains and losses, net	(44,608)	(49,741)
Interest and dividends	6,331	8,180
Total investment income (loss)	(26,576)	30,869
Investment related expenses	(8,886)	(13,358)
Total investment returns (loss) net of management fees	(35,462)	17,511
Operating interest income	137	572
Total investment income (loss)	$ (35,325)	$ 18,083

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.

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):

	2016	2015
Beginning balance	$ 875,760	$ 903,316
Realized gains and losses, net	11,701	72,430
Unrealized gains and losses, net	(44,608)	(49,741)
Interest and dividends	5,565	8,180
Fees	(8,886)	(13,358)
Disbursements	(41,897)	(45,067)
Transfers in and/or out of Level 3	-	-
Ending balance	$ 797,635	$ 875,760

Note 3 - Investments (continued):

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, 2016, 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 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 3.5% at June 30, 2016.

Pledge receivables consist of the following at June 30:

	2016	2015
Receivables in less than one year	$ 135,436	$ 91,036
Receivables in one to five years	217,000	147,500
	352,436	238,536
Less: discount to net present value	(12,854)	(4,389)
	339,582	234,147
Less: current portion	(135,436)	(91,036)
Non-current portion	$ 204,146	$ 143,111

ABILITIES UNITED
Notes to Financial Statements
Year Ended June 30, 2016

Note 5 - Grants and bequests receivable:

Grants receivable - The Organization did not have any grants receivable at June 30, 2016. There was $77,700 of grants receivables at June 30, 2015.

Bequests receivable - The Organization had total bequests receivable of approximately $654,000 at June 30, 2016. All amounts are expected to be collected during the year ended June 30, 2017. There was $75,000 of bequests receivables at June 30, 2015.

Note 6 - Property and equipment:

Property and equipment consists of the following at June 30:

	2016	2015
Leasehold improvements:		
Buildings	$ 773,836	$ 773,836
Building improvements	540,589	540,589
Furniture and equipment	274,818	272,293
Transportation equipment	196,647	196,647
	1,785,890	1,783,365
Less: accumulated depreciation and amortization	(1,426,946)	(1,362,778)
Property and equipment, net	$ 358,944	$ 420,587

Depreciation and amortization expense was approximately $66,000 for the years ended June 30, 2016 and 2015. Leasehold improvements are buildings and building improvements that were constructed on County owned land. See Note 10 for further detail.

Note 7 - Line of credit:

The Organization has a $200,000 line of credit agreement with Wells Fargo expiring in November 2016. The line is secured by various assets and bears interest at the greater of a floating rate equal to the prime rate plus 2.5% or the floor rate of 4.5% (6% at June 30, 2016).

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

The temporarily restricted net asset activity for the year ended June 30, 2016 was as follows:

	2015	Additions	Releases	2016
Time Restrictions:				
Pledges receivable	$ 234,147	$ 139,582	$ (234,147)	$ 139,582
Endowment accumulated earnings - unappropriated	62,849	(35,462)	(27,387)	-
Purpose Restrictions:				
Aquatic services	19,267	-	(4,017)	15,250
Adult day activities	8,777	81,400	(79,241)	10,936
Fund development	12,790	10,000	(5,190)	17,600
Technology	94,673	250,000	(16,658)	328,015
Total temporarily restricted net assets	$ 432,503	$ 445,520	$ (366,640)	$ 511,383

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

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

Note 9 - Permanently restricted net assets:

At June 30, 2016 and 2015, permanently restricted net assets consist of the Organization’s endowment funds (see Note 12).

Note 10 - Donated services:

During the years ended June 30, 2016 and 2015, 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, 2016 and 2015 to be approximately $21,000 and $115,000, respectively.

During the years ended June 30, 2016 and 2015, volunteers also donated approximately 9,900 and 7,100 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, 2016 and 2015 to be approximately $260,000 and $188,000 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. Both leases were renewed in September 2015. One lease expires in April 2050 with an option to renew for 14-years and the other expires in October 2022 with an option to renew for 2-years. 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, 2016 and 2015 totaled $2 for each year.

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,		
2017	$	7,860
2018		7,860
2019		3,930
Total	$	19,650

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 also has certain endowment assets in a Wells Fargo investment account. 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 State Prudent Management of Institutional Funds Act (SPMIFA) 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 SPMIFA.

In accordance with the SPMIFA, 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 - Certain 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.

ABILITIES UNITED
Notes to Financial Statements
Year Ended June 30, 2016

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 relating to permanently restricted net assets for the fiscal year ended June 30, 2016 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 62,849	$ 812,911	$ 875,760
Contributions	-	-	463,451	463,451
Investment income	-	(27,293)	-	(27,293)
Fees	-	(8,169)	-	(8,169)
Amounts appropriated for expenditure	-	(27,387)	-	(27,387)
Endowment net assets, end of year	$ -	$ -	$ 1,276,362	$ 1,276,362

Note 12 - Endowment (continued):

Changes in endowment relating to permanently restricted 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 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, 2016 and 2015.

Note 14 - Special Events:

Special event revenues, contribution and expenses by event for the year ended June 30, 2016 are as follows:

	Author's Luncheon	Aquathon	Total
Special event contributions	$ 269,179	$ 84,008	$ 353,187
Special event registration fees	96,973	-	96,973
Less special event expenses	(53,128)	(4,994)	(58,122)
	$ 313,024	$ 79,014	$ 392,038

ABILITIES UNITED

Notes to Financial Statements

Year Ended June 30, 2016

Note 14 - Special Events (continued):

Special event revenues, contribution and expenses by event for the year ended June 30, 2015 are as follows:

	Author's Luncheon	Aquathon	Total
Special event contributions	$ 274,170	$ 102,553	$ 376,723
Special event registration fees	78,750	-	78,750
Less special event expenses	(44,654)	(5,521)	(50,175)
	$ 308,266	$ 97,032	$ 405,298

Note 15 - Related party transactions

Contributions received from the Board of Directors or from companies with which the Board of Directors are affiliated were approximately $100,000 and $137,000 for the years ended June 30, 2016 and 2015. There was $2,000 and $18,000 in related receivables at June 30, 2016 and 2015.