

ABILITY NOW BAY AREA, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT THEREON

JUNE 30, 2022 AND 2021

ABILITY NOW BAY AREA, INC.
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Ability Now Bay Area, Inc.
Oakland, California

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ability Now Bay Area, Inc. as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have audited the accompanying financial statements of Ability Now Bay Area, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Basis for Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ability Now Bay Area, Inc. as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Ability Now Bay Area, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors
Ability Now Bay Area, Inc.
Oakland, California

Auditor’s Responsibilities for the Audit of the Financial Statements

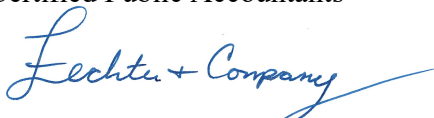
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Ability Now Bay Area, Inc.’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Ability Now Bay Area, Inc.’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Fechter & Company,
Certified Public Accountants

A handwritten signature in blue ink that reads "Fechter + Company". The signature is written in a cursive, flowing style with a long horizontal flourish extending to the right.

Sacramento, California
May 8, 2023

ABILITY NOW BAY AREA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,608,148	\$ 923,164
Accounts receivable	268,420	422,497
Pledges receivable, net	18,327	11,722
Prepaid expenses	44,483	43,027
Total current assets	1,939,378	1,400,410
Non-current assets		
Restricted cash and cash equivalents	15,636	46,709
Long-term pledges receivable, net	-	32,248
Lease deposits	-	1,856
Property and equipment, net	402,507	385,398
Total non-current assets	418,143	466,211
TOTAL ASSETS	\$ 2,357,521	\$ 1,866,621
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 15,808	\$ 23,216
Accrued payroll and benefits	184,492	160,983
Other liabilities	39,223	30,736
Current portion of long-term debt	12,725	12,725
Total current liabilities	252,248	227,660
Non-current liabilities		
Long-term debt	82,830	95,555
Total non-current liabilities	82,830	95,555
TOTAL LIABILITIES	335,078	323,215
Net assets		
Net assets with donor restrictions	15,636	46,709
Net assets without donor restrictions	2,006,807	1,496,697
Total net assets	2,022,443	1,543,406
TOTAL LIABILITIES AND NET ASSETS	\$ 2,357,521	\$ 1,866,621

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

ABILITY NOW BAY AREA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED
JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Public Support			
Operating grant from Foundation	\$ 804,000	\$ -	\$ 804,000
Other grants	30,362	12,500	42,862
Contributions	157,054	5,333	162,387
Donated use of facility	441,912	-	441,912
Net assets released from restriction	48,906	(48,906)	-
Total public support	<u>1,482,234</u>	<u>(31,073)</u>	<u>1,451,161</u>
Revenue			
Program service fees	1,900,880	-	1,900,880
Investment income	772	-	772
Miscellaneous income	1,460	-	1,460
Total revenue	<u>1,903,112</u>	<u>-</u>	<u>1,903,112</u>
TOTAL SUPPORT AND REVENUE	<u>3,385,346</u>	<u>(31,073)</u>	<u>3,354,273</u>
EXPENSES			
Program services			
Adult development center	1,533,876	-	1,533,876
Computer learning center	119,590	-	119,590
Vocational opportunities center	262,947	-	262,947
Wellness	71,933	-	71,933
Total program services	<u>1,988,347</u>	<u>-</u>	<u>1,988,347</u>
Support services			
Fundraising	87,883	-	87,883
Management and general	799,007	-	799,007
Total support services	<u>886,889</u>	<u>-</u>	<u>886,889</u>
TOTAL EXPENSES	<u>2,875,236</u>	<u>-</u>	<u>2,875,236</u>
Change in net assets	510,110	(31,073)	479,037
Net assets, beginning of year	<u>1,496,697</u>	<u>46,709</u>	<u>1,543,406</u>
Net assets, end of year	<u>\$ 2,006,807</u>	<u>\$ 15,636</u>	<u>\$ 2,022,443</u>

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

ABILITY NOW BAY AREA, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Public Support			
Operating grant from Foundation	\$ 720,000	\$ -	\$ 720,000
Other grants	103,316	10,050	113,366
Contributions	44,768	1,452	46,220
Donated use of facility	433,236	-	433,236
Net assets released from restriction	11,057	(11,057)	-
Total public support	<u>1,312,377</u>	<u>445</u>	<u>1,312,822</u>
Revenue			
Program service fees	2,096,830	-	2,096,830
Investment income	154	-	154
Miscellaneous income	139	-	139
Total revenue	<u>2,097,123</u>	<u>-</u>	<u>2,097,123</u>
TOTAL SUPPORT AND REVENUE	<u>3,409,500</u>	<u>445</u>	<u>3,409,945</u>
EXPENSES			
Program services			
Adult development center	1,103,626	-	1,103,626
Computer learning center	66,789	-	66,789
Vocational opportunities center	163,468	-	163,468
Wellness	17,645	-	17,645
Total program services	<u>1,351,528</u>	<u>-</u>	<u>1,351,528</u>
Support services			
Fundraising	86,656	-	86,656
Management and general	1,461,109	-	1,461,109
Total support services	<u>1,547,765</u>	<u>-</u>	<u>1,547,765</u>
TOTAL EXPENSES	<u>2,899,293</u>	<u>-</u>	<u>2,899,293</u>
Change in net assets	510,207	445	510,652
Net assets, beginning of year	986,490	46,264	1,032,754
Net assets, end of year	<u>\$ 1,496,697</u>	<u>\$ 46,709</u>	<u>\$ 1,543,406</u>

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

ABILITY NOW BAY AREA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED
JUNE 30, 2022

	Program Services				Support Services			
	Adult Development Center	Computer Learning Center	Vocational Opportunities Center	Wellness	Total	Fundraising	Management and General	Total
Salaries	\$ 948,415	\$ 58,846	\$ 137,920	\$ 163	\$ 1,145,344	\$ 58,562	\$ 381,517	\$ 1,585,423
Payroll taxes and workers' compensation insurance	101,728	6,346	14,796	17	122,887	6,308	34,241	163,436
Employee benefits	149,018	9,246	21,670	25	179,959	9,202	59,945	249,106
Total payroll-related costs	<u>1,199,161</u>	<u>74,438</u>	<u>174,386</u>	<u>205</u>	<u>1,448,190</u>	<u>74,072</u>	<u>475,703</u>	<u>1,997,965</u>
Accounting	-	-	-	-	-	-	17,087	17,087
Auto and truck expense	8,512	20	1,110	-	9,642	65	2,132	11,839
Building & equip. maintenance	-	-	-	-	-	-	49,383	49,383
Business license and permits	-	-	194	-	194	-	2,441	2,635
Client activities and expenses	5,795	-	-	-	5,795	-	-	5,795
Community relations	44	-	160	-	204	91	502	797
Depreciation	-	-	-	-	-	-	50,019	50,019
General insurance	-	-	-	-	-	-	36,267	36,267
Membership and fees	179	-	120	-	299	2,043	319	2,661
Miscellaneous	17,981	127	1,020	-	19,128	4,335	67,105	90,568
Postage and delivery	24	-	45	-	69	-	1,101	1,170
Professional fees	845	-	-	41,669	42,514	500	12,860	55,874
Rent and occupancy costs	285,031	45,005	85,009	30,003	445,049	5,001	50,006	500,055
Supplies and equipment	16,304	-	902	56	17,262	1,776	21,753	40,791
Telecommunications	-	-	1	-	1	-	12,329	12,330
Total functional expenses	<u>\$ 1,533,876</u>	<u>\$ 119,590</u>	<u>\$ 262,947</u>	<u>\$ 71,933</u>	<u>\$ 1,988,347</u>	<u>\$ 87,883</u>	<u>\$ 799,007</u>	<u>\$ 2,875,236</u>

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

ABILITY NOW BAY AREA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED
JUNE 30, 2021

	Program Services				Support Services			
	Adult Development Center	Computer Learning Center	Vocational Opportunities Center	Wellness	Total	Fundraising	Management and General	Total
Salaries	\$ 980,325	\$ 57,043	\$ 118,367	\$ -	\$ 1,155,735	\$ 53,269	\$ 341,221	\$ 1,550,225
Payroll taxes and workers' compensation insurance	88,719	5,186	10,656	-	104,561	4,850	49,257	158,668
Employee benefits	169	-	-	-	169	60	289,731	289,960
Total payroll-related costs	\$ 1,069,213	\$ 62,229	\$ 129,023	\$ -	\$ 1,260,465	\$ 58,179	\$ 680,209	\$ 1,998,853
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,725	\$ 27,725
Auto and truck expense	4,737	36	299	-	5,072	-	22,872	27,944
Building & equip. maintenance	73	-	-	-	73	-	30,520	30,593
Business license and permits	605	-	-	-	605	-	1,407	2,012
Client activities and expenses	473	-	26,520	-	26,993	-	-	26,993
Community relations	39	-	-	-	39	(50)	1,764	1,753
Depreciation	22,313	3,527	6,663	2,350	34,853	195	3,936	38,984
General insurance	-	-	-	-	-	-	37,270	37,270
Membership and fees	-	-	120	-	120	-	824	944
Miscellaneous	907	997	843	-	2,747	28,332	98,728	129,807
Postage and delivery	370	-	-	-	370	-	2,697	3,067
Professional fees	1,000	-	-	15,295	16,295	-	23,454	39,749
Rent and occupancy costs	-	-	-	-	-	-	504,953	504,953
Supplies and equipment	3,896	-	-	-	3,896	-	16,636	20,532
Telecommunications	-	-	-	-	-	-	8,114	8,114
Total functional expenses	\$ 1,103,626	\$ 66,789	\$ 163,468	\$ 17,645	\$ 1,351,528	\$ 86,656	\$ 1,461,109	\$ 2,899,293

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

ABILITY NOW BAY AREA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED
JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 479,037	\$ 510,652
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	50,019	38,985
Changes in assets and liabilities:		
(Increase) Decrease in receivables	179,721	(133,190)
Decrease (Increase) prepaid expenses	(1,456)	11,966
(Decrease) Increase in accounts payable	(7,408)	(13,766)
Increase in accrued payroll and benefits	23,509	60,533
(Decrease) in others liabilities	8,487	27,123
Cash provided by operating activities	733,765	502,303
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(67,129)	(135,687)
Cash used by investing activities	(67,129)	(135,687)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from other debt	-	26,882
Payment of loans	(12,725)	(390,777)
Cash (used) provided by financing activities	(12,725)	(363,895)
Net increase in cash and cash equivalents	653,911	2,721
Cash and cash equivalents, beginning of year	969,873	967,152
Cash and cash equivalents, end of year	\$ 1,623,784	\$ 969,873
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents - unrestricted	\$ 1,608,148	\$ 923,164
Cash and cash equivalents - restricted	15,636	46,709
Total cash and cash equivalents	\$ 1,623,784	\$ 969,873

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

ABILITY NOW BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

Ability Now Bay Area, Inc. (the Organization), a California nonprofit organization located in Oakland, CA, was incorporated in 1944. Prior to July 2015, the Organization operated as the Cerebral Palsy Center for the Bay Area, Inc. The purpose of the Organization is to create a culture that supports people with cerebral palsy and other disabilities through innovative, sustainable programs and services in an effort to maximize their individual independence and functioning in the community. These goals are achieved through adult development programs that provide education and training to build increased levels of self-sufficiency by developing and maintaining skills, building self-esteem, and maximizing independence at home, at work, and in the community. Program participants attend classes in Adult Development Academic Skills, Personal Wellness and Health Promotion, Assistive Technology and Communication, Community Integration, and Micro-Enterprise Self Employment.

Reclassifications

Certain reclassifications have been made to the prior-year summarized comparative information to conform to the current year's format. Net assets and changes in net assets remain unchanged as a result of these reclassifications.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents. Certificates of deposit, regardless of maturity, and 12-month T-Bills are considered to be short-term investments.

Receivables

Based upon prior experience, management believes accounts receivable from the regional centers are fully collectible and no allowance for bad debts has been provided.

Donor pledges are uncollateralized receivables that will be collected over a five-year period, including the first year the pledge was made. An allowance for doubtful accounts is based upon management's assessment of collectability. The last year for pledges was 2022.

ABILITY NOW BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment of \$10,000 and greater is capitalized at cost when purchased or at fair market value when donated. Depreciation is provided on the straight-line basis over an estimated useful life of seven years for vehicles, three to ten years for equipment, and twenty years for leasehold improvements. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If this evaluation indicates an asset is impaired, the Organization records a charge to operations to reduce the asset's carrying value to its estimated fair value.

Investments

Investments that are purchased are initially recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments with quoted prices in active markets are reported at their fair values in the statement of financial position. Net investment return or loss is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gain and losses, less external investment expenses.

Concentration of credit risk

The Organization maintains its cash and cash equivalents with a high-quality federally insured financial institution. In 2022, the Organization enrolled in an Insured Cash Sweep program with its primary bank to ensure all amounts are covered under the Federal Deposit Insurance Corporation (FDIC). Additionally, Ability Now Bay Area, Inc. purchased T-Bills with a one-year maturity to be used for future program expansions.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. The fair value hierarchy consists of three levels.

ABILITY NOW BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements - continued

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities as of the measurement date.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market corroborated inputs.

Level 3 - Unobservable inputs that cannot be corroborated by observable market data.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as net assets without donor restrictions or net assets with donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or grantor restrictions.

Net assets with donor restrictions are subject to donor or grantor-imposed restrictions. Some donor or grantor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets are recognized as revenue when the assets are placed in service.

Revenue and revenue recognition

Revenue is recognized when earned. Grants and contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants and contributions that are restricted by donors or grantors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor or grantor restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

ABILITY NOW BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated services and materials

In accordance with generally accepted accounting principles *Accounting for Contributions Received and Contributions Made*, donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, or would otherwise be purchased by the Organization. A number of volunteers have contributed time to the Organization, but amounts for these contributed services are not reflected in the accompanying financial statements since the criteria are not met. Donated materials are reported at fair market value at the date the contribution is received.

Functional allocation of expenses

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the statements of activities and functional expenses. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by using consistent allocation percentages which management believes reflect actual time spent by employees or benefits received from expenditures.

Income taxes

The Organization is a not-for-profit corporation and is exempt from federal income tax under Internal Revenue Code Section 501(c)(3) and from state franchise tax under the Revenue and Taxation Code Section 23701(d).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. All of the Organization's federal and California exempt organization returns are current. The Organization's federal exempt returns are subject to examination by the IRS generally for three years after they were filed and California exempt returns are subject to examination by the California Franchise Tax Board generally for four years after they were filed.

Upcoming Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard becomes effective for fiscal years beginning after December 15, 2021 for not-for-profit entities. The Organization has evaluated its position with its existing contracts and monthly arrangements, and no material obligations are expected upon implementation of this policy effective July 1, 2021.

ABILITY NOW BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2: PROPERTY AND EQUIPMENT

Capital assets activity for the fiscal year ended June 30, 2022 is as follows:

	Year Ended June 30, 2021	Additions	Reductions	Transfer/ Adjustment	Year Ended June 30, 2022
Capital assets, non-depreciable:					
Construction in progress	\$ -	\$ -	\$ -	\$ -	\$ -
Capital assets, depreciable:					
Vehicles	124,462	67,128	(800)	-	190,790
Equipment	280,876	-	-	-	280,876
Leasehold improvements	575,232	-	-	-	575,232
Total capital assets, depreciable	980,570	67,128	(800)	-	1,046,898
Less accumulated depreciation	(595,172)	(50,019)	800	-	(644,391)
Total Capital Assets, Net	<u>\$ 385,398</u>	<u>\$ 17,109</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 402,507</u>

Capital assets activity for the fiscal year ended June 30, 2021 is as follows:

	Year Ended June 30, 2020	Additions	Reductions	Transfer/ Adjustment	Year Ended June 30, 2021
Capital assets, non-depreciable:					
Construction in progress	\$ 125,863	\$ -	\$ -	\$ (125,863)	\$ -
Capital assets, depreciable:					
Vehicles	76,435	48,027	-	-	124,462
Equipment	280,876	-	-	-	280,876
Leasehold improvements	361,710	87,660	-	125,863	575,233
Total capital assets, depreciable	719,021	135,687	-	125,863	980,571
Less accumulated depreciation	(556,188)	(38,985)	-	-	(595,173)
Total Capital Assets, Net	<u>\$ 288,696</u>	<u>\$ 96,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 385,398</u>

Depreciation expense for the fiscal year ended June 30, 2022 and 2021 totaled \$50,019 and \$38,985, respectively, which was charged to program services and support services based on management's functional expense allocation percentages.

ABILITY NOW BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 3: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available within one year of the statements of financial position to meet cash needs for general expenditures are calculated as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Total assets	\$ 2,362,220	\$ 1,866,621
Less:		
Prepaid expenses	(44,483)	(43,027)
Lease deposits and other long-term assets	(1,856)	(1,856)
Fixed assets, net value	(402,507)	(385,398)
Non-current pledges receivable, net	-	(32,248)
Net assets with donor restrictions	(15,636)	(46,709)
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,897,738</u>	<u>\$ 1,357,383</u>

These financial assets available within one year of June 30, 2022 and 2021 are comprised of the following:

	<u>2022</u>	<u>2021</u>
Unrestricted cash on hand or in banks	\$ 1,608,148	\$ 923,164
Accounts receivable	271,263	422,497
Current pledges receivable, net	<u>18,327</u>	<u>11,722</u>
Total financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,897,738</u>	<u>\$ 1,357,383</u>

NOTE 4: PLEDGES RECEIVABLE

The Organization anticipates collection of outstanding pledges receivable as follows at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unconditional pledges receivable	\$ 62,298	\$ 87,941
Less allowance for doubtful accounts	(43,971)	(43,971)
Pledges receivable, net	<u>\$ 18,327</u>	<u>\$ 43,970</u>

The decrease in Pledges receivable and increase in allowance for doubtful accounts are a result of the impacts of COVID-19, and the termination of the Benevon pledge program.

ABILITY NOW BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5: LONG-TERM DEBT

Long-term debt activity for the fiscal year ended June 30, 2022 is as follows:

	<u>Year Ended June 30, 2021</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance June 30, 2022</u>	<u>Amounts Due Within One Year</u>
HVAC & Lighting Financing	\$ 108,280	\$ -	\$ (12,725)	\$ 95,555	\$ 12,725
Total	<u>\$ 108,280</u>	<u>\$ -</u>	<u>\$ (12,725)</u>	<u>\$ 95,555</u>	<u>\$ 12,725</u>

Long-term debt activity for the fiscal year ended June 30, 2021 is as follows:

	<u>Year Ended June 30, 2020</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance June 30, 2021</u>	<u>Amounts Due Within One Year</u>
PPP Loan	\$ 378,500	\$ -	\$ (378,500)	\$ -	\$ -
HVAC & Lighting Financing	<u>93,675</u>	<u>26,882</u>	<u>(12,277)</u>	<u>108,280</u>	<u>12,725</u>
Total	<u>\$ 472,175</u>	<u>\$ 26,882</u>	<u>\$ (390,777)</u>	<u>\$ 108,280</u>	<u>\$ 12,725</u>

The Organization entered into two utility loans with zero percent interest to finance two leasehold improvements during the fiscal year ended June 30, 2020. The first loan agreement was signed on November 13, 2019 with a loan balance of \$98,693. The second loan agreement was signed on March 10, 2020 with a loan balance of \$26,882. Monthly payments will be \$836 to be paid over 118 months and \$224 to be paid over 120 months, respectively. Payments commence after the completion and post installation inspection of the leasehold improvements. The first leasehold improvement installation was completed as of October 2019 and repayment commenced in December 2019. Work on the second leasehold improvement is due to begin in May 2020 and is expected to be completed in June 2020. Due to the Covid-19 pandemic, the Organization was eligible for loan payment deferral for up to six months, though PG&E failed to grant the deferral.

The Organization obtained a Paycheck Protection Program (PPP) loan in April 2020. Management determined there was not a pressing financial need for the additional funds and did not file for debt forgiveness. The Organization repaid the balance in full April 2021.

ABILITY NOW BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 5: LONG-TERM DEBT (continued)

The table below represents estimated principal and interest payments to maturity on the Organization's outstanding debt:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 12,725	\$ -	\$ 12,725
2024	12,725	-	12,725
2025	12,725	-	12,725
2026	12,725	-	12,725
2027	12,725	-	12,725
2028-2031	31,930	-	31,930
Total	<u>\$ 95,555</u>	<u>\$ -</u>	<u>\$ 95,555</u>

NOTE 6: REVENUE FROM GOVERNMENTAL AGENCY AND CONCENTRATION RISK

The Organization receives a substantial amount of its revenue from the Regional Center of the East Bay (RCEB). For the years ended June 30, 2022 and 2021, service fees from this governmental agency amounted to \$1,900,880 and \$2,096,830, respectively.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Contributions which are restricted for special needs of clients not provided for by the operating budget are recorded as contributions with donor restrictions. When expenditures occur on behalf of the clients, the contribution is transferred to support without donor restrictions and offset by the corresponding expense. Examples of such expenditures are micro-enterprise expenses, special equipment, and wellness programs. As of June 30, 2022 and 2021, the restricted amounts available for expenditure on behalf of clients was \$15,636 and \$46,709, respectively.

The schedule of net assets with donor restrictions at fiscal year-end are as follows:

	June 30, 2022	June 30, 2021
Donor Restrictions:		
Wellness	\$ 6,250	\$ 7,010
PCT	8,050	8,050
Tailored Day Services	-	15,000
Micro Enterprise	290	9,180
Memorials & Bequests	20	4,469
Miscellaneous events & programs	1,026	3,000
	<u>\$ 15,636</u>	<u>\$ 46,709</u>

ABILITY NOW BAY AREA, INC.
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NOTE 8: RELATED PARTY TRANSACTIONS

The Mary Valle Foundation for the Cerebral Palsied (the Foundation) is a not-for-profit organization founded for the sole purpose of providing financial support to Ability Now Bay Area, Inc. (the Organization). Its Board of Directors is comprised of members that serve both the Foundation and Ability Now Bay Area, Inc. While most of the directors and officers of the Foundation are also members of the board of directors of the Organization, the Organization has no legal control nor does it select or elect any of the officers or directors of the Foundation. All legal relationships between the Organization and the Foundation require affirmative action on behalf of both boards. Each year, the Foundation establishes a budget based on the Organization's financial needs which includes a provision for waived rent, operating financial contributions, and occasional reimbursement of certain expenditures.

The Organization leases real property from the Foundation for 12-month periods, renewed annually. The Organization is responsible for the costs of utilities and the maintenance of grounds and buildings, while the Foundation is responsible for certain major expenses under the lease terms. The Organization does not maintain a future minimum obligation to the Foundation for lease payments. The Organization recognized \$441,912 and \$433,236 in donated use of facilities income from the Foundation, based on the original 2016 lease agreement Fair Market Value rate, increasing at 2% annually.

Additionally, the Organization occasionally advances amounts on behalf of the Foundation and carries a reimbursement balance due. At June 30, 2022 and 2021, there were outstanding reimbursement receivable balances due from the Foundation for those advances in the amount of \$50 and \$50, respectively.

The Foundation provides the Organization an annual operating grant and special purpose grants as needed. For the year ended June 30, 2022, the operating grant was \$804,000. For the year ending June 30, 2021, the Foundation provided a total of \$720,000 to the Organization in operating and special grants.

NOTE 9: COMMITMENTS AND CONTINGENCIES

As discussed in Note 8, the Organization's month-to-month office lease payments are determined on an annual basis as part of the budgetary process and there is no future minimum lease obligation. For the fiscal years ended June 30, 2022 and 2021, the Organization recognized \$441,912 and \$433,236 in facilities rent expense. This amount is expected to increase 2% annually, and the Foundation may require cash payments from the Organization in future years based on its financial performance, which cannot be currently estimated.

ABILITY NOW BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 9: COMMITMENTS AND CONTINGENCIES (continued)

The Organization has one remaining non-cancelable contract for a copy machine. This operating lease commenced December 2019 for a 60-month term, though this contract may be replaced prior to November 2024. Minimum monthly payments are \$513. The schedule of future minimum payments is as follows:

Year Ending June 30,	Amount
<u> </u>	<u> </u>
2023	\$ 6,156
2024	6,156
2025	2,565
2026	<u> -</u>
Total	<u><u>\$ 14,877</u></u>

Total lease expense under this operating lease for fiscal years ended June 30, 2022 and 2021 was \$12,463 and 11,807, respectively.

NOTE 10: COVID MATTERS

The COVID-19 outbreak in early 2020 has caused business disruption throughout the State of California. Certain fundraising efforts have been affected, along with the primary programs run on behalf of the Regional Center. The Organization has maintained remote and virtual services, and returned to providing limited in-person services in 2021, allowing the programs to continue under the Department of Social Services’ guidance without interruption. Although some restrictions are being lifted, any further upcoming changes to the Regional Center programs have not been determined and, therefore, any further pending impact on the Organization is unknown.

NOTE 11: SUBSEQUENT EVENTS

Subsequent events have been reviewed through May 8, 2023, the date the financial statements were available to be issued. No events occurring subsequent to June 30, 2022 were determined to have a material impact on the financial statements that would require adjustment or disclosure.