

ABILITIES UNLIMITED OF HOT SPRINGS,
ARKANSAS, INC.

HOT SPRINGS, ARKANSAS

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016

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& ASSOCIATES, P.A. INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Abilities Unlimited of Hot Springs, Arkansas, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Abilities Unlimited of Hot Springs, Arkansas, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Abilities Unlimited of Hot Springs, Arkansas, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of governmental assistance and schedule of units of services provided is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures

applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017, on our consideration of Abilities Unlimited of Hot Springs, Arkansas, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Abilities Unlimited of Hot Springs, Arkansas, Inc.'s internal control over financial reporting and compliance.

Turner, Williams and Associates, P.A.

Searcy, Arkansas
September 28, 2017

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	June 30, 2017	June 30, 2016
<u>Current assets</u>		
Cash and cash equivalents	\$ 2,282,537	\$ 1,920,529
Certificates of deposit	149,006	148,099
Accounts receivable:		
Grants	73,345	67,797
Trade	226,684	434,636
Inventories:		
Finished goods	188,480	216,971
Work in process	46,556	49,563
Raw materials	492,404	500,262
Prepaid expenses	33,210	22,846
Total current assets	<u>3,492,222</u>	<u>3,360,703</u>
<u>Property and equipment</u>		
Land	41,343	41,343
Buildings and improvements	1,281,698	1,241,700
Furniture and equipment	2,233,484	2,441,383
Vehicles	133,125	133,125
Total	<u>3,689,650</u>	<u>3,857,551</u>
Less: accumulated depreciation	<u>(3,130,667)</u>	<u>(3,320,604)</u>
Net property and equipment	<u>558,983</u>	<u>536,947</u>
<u>Other assets</u>		
Hot Springs Village property	6,500	6,500
Utility deposits	2,101	2,101
Total other assets	<u>8,601</u>	<u>8,601</u>
TOTAL ASSETS	<u><u>\$ 4,059,806</u></u>	<u><u>\$ 3,906,251</u></u>

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

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
STATEMENT OF FINANCIAL POSITION, CONTINUED
JUNE 30, 2017 AND 2016

	LIABILITIES	
	June 30, 2017	June 30, 2016
<u>Current liabilities</u>		
Accounts payable	\$ 227,193	\$ 265,915
Current portion of leases payable	1,629	1,691
Accrued expenses	35,172	61,271
Accrued vacation	26,941	32,007
Total current liabilities	<u>290,935</u>	<u>360,884</u>
<u>Long-term liabilities</u>		
Leases payable	1,629	3,320
less current portion	(1,629)	(1,691)
Total long-term liabilities	<u>-</u>	<u>1,629</u>
Total liabilities	<u>290,935</u>	<u>362,513</u>
	NET ASSETS	
<u>Net assets</u>		
Unrestricted	3,749,622	3,529,491
Temporarily restricted	19,248	14,247
Total net assets	<u>3,768,870</u>	<u>3,543,738</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,059,805</u>	<u>\$ 3,906,251</u>

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

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

<u>Unrestricted net position</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
<u>Support, revenue and operations:</u>		
Support:		
Federal financial assistance	\$ 690,870	\$ 638,629
State financial assistance	177,417	155,242
Local funding and match	13,605	9,544
School programs	82,783	90,090
Thrift shop contributions	503,977	488,214
Total support	<u>1,468,652</u>	<u>1,381,719</u>
Revenue and operations		
Manufacturing and contract sales	4,020,011	4,911,350
Reimbursements	75,112	66,557
Less discounts	(69,643)	(79,428)
Net sales	<u>4,025,480</u>	<u>4,898,479</u>
Cost of goods sold:		
Direct client payroll/contract labor	445,234	508,081
Freight and shipping	4,669	1,204
Materials	2,983,997	3,598,376
Supplies	33,765	54,896
Total cost of goods sold	<u>3,467,665</u>	<u>4,162,557</u>
Net increase in unrestricted net assets from operations	<u>557,815</u>	<u>735,922</u>
Interest income	3,374	3,129
Miscellaneous income	7,270	6,983
Total support, revenue and operations	<u>\$ 2,037,111</u>	<u>\$ 2,127,753</u>
<u>Expenses</u>		
Program services	1,603,278	1,556,538
Support services - general and administrative	254,702	263,832
Total expenses	<u>1,857,980</u>	<u>1,820,370</u>
<u>Other income/(expense)</u>		
Transfers to temporarily restricted net assets	-	-
Gain on sale of equipment	41,000	-
Total other income/(expense)	<u>41,000</u>	<u>12,126</u>
Change in unrestricted net assets	<u>220,131</u>	<u>319,509</u>
<u>Change in temporarily restricted net assets</u>		
Contributions (restricted for client services)	5,001	8,154
Transfers to unrestricted net assets	-	(12,126)
Change in temporarily restricted net assets	<u>5,001</u>	<u>(3,972)</u>
Total change in net assets	<u>\$ 225,132</u>	<u>\$ 315,537</u>

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

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Total <u>Net assets</u>
Balance June 30, 2015	\$ 3,209,982	\$ 18,219	\$ 3,228,201
Change in net assets	<u>319,509</u>	<u>(3,972)</u>	<u>315,537</u>
Balance June 30, 2016	<u>\$ 3,529,491</u>	<u>\$ 14,247</u>	<u>\$ 3,543,738</u>
Change in net assets	<u>220,131</u>	<u>5,001</u>	<u>225,132</u>
Balance June 30, 2017	<u>\$ 3,749,622</u>	<u>\$ 19,248</u>	<u>\$ 3,768,870</u>

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

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	June 30, 2017	June 30, 2016
<u>Cash flows from operating activities</u>		
Cash received from support and revenue	\$ 5,691,173	\$ 6,340,916
Cash paid to employees and suppliers	(5,306,068)	(6,121,451)
Miscellaneous income	7,270	6,983
Net transfers from (to) temporarily restricted net assets	-	-
Interest income	2,467	2,242
Interest paid	(135)	(222)
Net cash provided by operating activities	<u>394,707</u>	<u>228,468</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of property	41,000	-
Purchases of property and equipment	(72,008)	(71,428)
Net cash used in investing activities	<u>(31,008)</u>	<u>(71,428)</u>
<u>Cash flows from financing activities</u>		
Payments on lease payable	(1,691)	(1,604)
Net increase in cash and cash equivalents	362,008	155,436
Cash and cash equivalents, beginning of year	1,920,529	1,765,093
Cash and cash equivalents, end of year	<u>\$ 2,282,537</u>	<u>\$ 1,920,529</u>
 Reconciliation of operating revenue to net cash provided by operating activities		
Net operating revenue	\$ 184,132	\$ 315,537
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	49,973	45,368
Change in assets and liabilities which (used) provided cash		
Accounts receivable	202,404	(272,909)
Certificates of deposit	(907)	(887)
Inventory	39,356	75,932
Prepaid expenses	(10,364)	11,628
Accounts payable	(38,722)	40,238
Accrued expenses	(31,165)	13,561
Net cash provided by operating activities	<u>\$ 394,707</u>	<u>\$ 228,468</u>
 Noncash financing and investing activities:		
Interest earned on certificates of deposits and reinvested	\$ 907	\$ 887

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

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	For the year ended June 30, 2017			For the year ended June 30, 2016		
	Program Services	Management and General	Total	Program Services	Management and General	Total
<u>Personnel</u>						
Salaries and wages	\$ 960,201	\$ 176,268	\$ 1,136,469	\$ 939,058	\$ 176,268	\$ 1,115,326
Fringe benefits	289,722	25,193	314,915	278,617	24,228	302,845
Total personnel	<u>1,249,923</u>	<u>201,461</u>	<u>1,451,384</u>	<u>1,217,675</u>	<u>200,496</u>	<u>1,418,171</u>
<u>Operating</u>						
Advertising	1,001	720	1,721	2,869	83	2,952
Bad debts	1,767	-	1,767	601	-	601
Client services	2,696	-	2,696	2,593	-	2,593
Computer	3,369	20,385	23,754	-	23,813	23,813
Dues and publications	549	2,342	2,891	480	2,720	3,200
Insurance	50,470	1,561	52,031	48,282	1,493	49,775
Interest	-	135	135	-	222	222
Janitorial	1,998	6,533	8,531	-	8,621	8,621
<u>Maintenance:</u>						
Building and grounds	14,895	338	15,233	31,954	387	32,341
Equipment	15,756	538	16,294	23,776	811	24,587
Miscellaneous	16,962	579	17,541	13,857	185	14,042
Office supplies	4,748	4,384	9,132	2,859	8,137	10,996
Professional fees	2,299	12,000	14,299	1,658	12,000	13,658
Rent	90,000	-	90,000	70,200	-	70,200
Store supplies	2,134	-	2,134	3,848	-	3,848
Telephone and utilities	71,696	1,394	73,090	67,657	1,673	69,330
Training and travel	17,724	595	18,319	14,812	303	15,115
Vehicle operating and repairs	6,967	88	7,055	10,252	684	10,936
Total operating	<u>305,031</u>	<u>51,592</u>	<u>356,623</u>	<u>295,699</u>	<u>61,132</u>	<u>356,831</u>
Depreciation	<u>48,324</u>	<u>1,649</u>	<u>49,973</u>	<u>43,164</u>	<u>2,204</u>	<u>45,368</u>
Total functional expenses	<u>\$ 1,603,278</u>	<u>\$ 254,702</u>	<u>\$ 1,857,980</u>	<u>\$ 1,556,538</u>	<u>\$ 263,832</u>	<u>\$ 1,820,370</u>

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

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of business

Abilities Unlimited of Hot Springs, Arkansas, Inc. (Organization) is an Arkansas not-for-profit corporation. The Organization's primary purposes are to provide vocations training and employment opportunities for individuals with developmental disabilities. The Organization pursues these objectives by providing school intervention programs, rehabilitation training, a structured employment environment and placement services, where applicable. To accomplish these goals, the Organization operates a manufacturing facility for production of equipment parts and packaging products for retail industry. The Organization also operates a donated-goods thrift store for used clothing and household goods.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 those estimates.

Basis of accounting

The financial statements of the Organization are prepared using the accrual basis of accounting. Donations of cash and equipment are recorded as income when received. Donations of merchandise to the thrift store are recorded as income when sold.

Basis of presentation

The Organization is required to report information regarding its financial assets and activities according to three classes of net assets as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations and is available for support of programs and general obligations of the Organization.

Temporarily restricted net assets – Component of net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. When a restriction expires, the amount covered by the restriction is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Component of net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

As of June 30, 2017 and 2016, the Organization had no permanently restricted net assets.

Fair value measurement

Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable and other short-term assets and liabilities, for which the carrying value approximates fair value because of their short maturities, and notes and leases payable, for which the carrying value approximates fair value because the Organization can obtain similar loans at the same terms.

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

Accounts receivable

The Organization records accounts receivable balances for earned revenue not yet collected. The policy for determining when receivables are past due is based upon payment terms. Balances not collectible are accounted for under the direct write-off method. Management reviews receivables and accrues allowances for doubtful accounts as deemed necessary. As June 30, 2017 and 2016, management believes all receivables to be collectible and has an allowance for doubtful accounts of \$0.

Inventories

Manufacturing inventories consist of raw materials stated at cost and work-in-process and finished goods stated at cost plus an allocation of direct labor and in the prior year, overhead. The Organization uses the first-in first-out method of inventory pricing.

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available for sale in its retail thrift store. Financial accounting standards require that contributions received be recognized as revenues or gains in the period received as assets, decreases of liabilities or expenses depending on the form of benefits received. Contributions are measured at fair market value. The thrift store inventory of contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine the inventory value at the time of donation. Accordingly, measuring fair values when the donations have uncertain, undeterminable or minimal value may indicate that these items should not be recorded. Due to the nature of this operation and the disposal rate, the fair market value of the donated goods and materials is only measurable at the point of sale. Therefore, revenue for the donation of such items is recognized at the time of sale.

Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation is computed on the straight-line method over the estimated useful life of the assets. The Organization's policy is to capitalize items over \$1,000 in cost with a useful life of more than 1 year. Major classes of assets are depreciated as follows:

Buildings	39 years
Furniture and fixtures	5 – 15 years
Transportation equipment	5 – 10 years
Building improvements	20 – 39 years

Cash equivalents

For purposes of the statement of cash flows all cash accounts and certificates of deposits and marketable securities which can reasonably be expected to mature or be converted to cash within three months are included as part of the cash balance.

Income taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, should the Organization generate unrelated business income, that income would be subject to federal income tax.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax provisions that require adjustment to the financial statements to comply with the provisions of this guidance. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2014.

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

Functional expense allocation

The costs of providing the Organization's various programs and supporting services are summarized on a functional basis in the financial statements. Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated amounts to the functional categories benefited.

Contributions

All contributions are available for unrestricted use unless specifically restricted for use by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes, are reported as temporarily or permanently restricted support, that increases those net position classes. When a temporary restriction expires, temporarily restricted net position is reclassified to unrestricted net position and reported in the statements of activities as net position released from restrictions.

Date of management's review

Subsequent events were evaluated through September 28, 2017 which is the date the financial statements were available to be issued.

2) CONCENTRATION OF CREDIT RISK

The Organization maintains bank accounts with various financial institutions. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution. Based upon balances as of June 30, 2017 and 2016, the Organization had deposits in excess of federally insured limits at two institutions. Total excess deposits were approximately \$89,642 and \$82,079 as of June 30, 2017 and 2016 respectively.

The Organization contracts with major customers to provide manufacturing and assembly services related to retail equipment parts. During the years ended June 30, 2017 and 2016, the majority of these manufacturing and contract sales were made to one customer. Sales to this customer were approximately \$3,939,292 and \$4,594,596, which was approximately 72% and 73% of total revenues for the years ended June 30, 2017 and 2016, respectively.

The Organization purchases the majority of its parts from a single vendor. Purchases from this vendor were \$1,372,149 and \$1,633,579, approximately of 40% and 39% of total cost of goods sold for the years ended June 30, 2017 and 2016.

3) FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board Codification 958-320, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the codification are described below:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
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ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2017 and 2016.

Certificates of deposit: Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30:

<u>Level 1</u>	<u>2017</u>	<u>2016</u>
Certificates of deposit	\$149,006	\$148,099

4) CAPITAL LEASE PAYABLE

As of June 30, 2017 and 2016, capital leases payable for office equipment were as follows

	<u>2017</u>	<u>2016</u>
Lease payable to a vendor, due in monthly pmts. of \$152 including interest at 5.28%, maturing May 2018, secured by equipment	<u>\$1,629</u>	<u>\$3,320</u>
Less: current portion	<u>(1,629)</u>	<u>(1,691)</u>
Long term portion of lease	<u>\$ -</u>	<u>\$1,629</u>
Future maturities of debt obligation are as follows:		
June 30, 2018		\$ 1,629
Total		<u>\$ 1,629</u>

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 AND 2016

5) LINE OF CREDIT

The Organization had a revolving line of credit available with a \$100,000 borrowing limit that matured on February 20, 2017, and was not renewed. As of June 30, 2017 and 2016, no advances had been drawn on the line. The available interest rate and payment terms were updated annually.

6) BOARD DESIGNATED NET POSITION

As of June 30, 2017 and 2016, the Board of Directors of the Organization has designated \$10,000 of unrestricted net assets for capital improvements. The designated amount is included in the unrestricted net assets as reported on the Statement of changes to net assets since no donor stipulations are placed on that amount and the Board can adjust designations of unrestricted net assets as they deem necessary.

SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Abilities Unlimited of Hot Springs, Arkansas, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Abilities Unlimited of Hot Springs, Arkansas, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Abilities Unlimited of Hot Springs, Arkansas, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Abilities Unlimited of Hot Springs, Arkansas, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Abilities Unlimited of Hot Springs, Arkansas, Inc.'s internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Abilities Unlimited of Hot Springs, Arkansas, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Turner, Williams and Associates, P.A.

Searcy, Arkansas
September 28, 2017

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
SCHEDULE OF GOVERNMENTAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal grantor / pass through Grantor / Program Name</u>	<u>CFDA#</u>	<u>Pass through Grantor Number</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
U.S. Dept. of Health and Human Services Arkansas Dept. of Human Services Arkansas Rehabilitation Services Division of Developmental Disabilities Social Services Block Grant	93.667	710DD10058	\$ 70,946	\$ 70,946
Total Federal Awards			\$ 70,946	\$ 70,946

Schedule of State Assistance

<u>Program State Grantor / Program Title</u>	<u>Revenue Recognized</u>	<u>Expenditures</u>
Arkansas Dept. of Human Services DDS Grant in Aid	\$ 64,602	\$ 64,602
Arkansas Dept. of Workforce Education of Arkansas Rehabilitation Services Vocational Rehabilitation	16,750	16,750
Total State Awards	\$ 81,352	\$ 81,352
Total Governmental Awards	\$ 152,298	\$ 152,298

For the year ended June 30, 2017 the Organization received \$690,870 under Title XIX medical assistance programs.

ABILITIES UNLIMITED OF HOT SPRINGS, ARKANSAS, INC.
SCHEDULE OF UNITS OF SERVICE PROVIDED
FOR THE YEAR ENDED JUNE 30, 2017

<u>Service</u>	<u>Units</u>	<u>Total</u>	<u>Medicaid</u>	<u>Rehabilitation Services</u>	<u>SSBG</u>
Adult Development	Hours	64,230	64,230	-	-
Work Activity-Federal	Hours	14,076	-	-	14,076
Work Activity-State	Hours	12,817	-	-	12,817
Supported Employment	Milestones	9	-	9	-

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