

# **ABILITYFIRST**

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

**ABILITYFIRST**  
FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023

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WE ARE AN INDEPENDENT MEMBER OF  
THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK

**AUDIT  
AND  
ASSURANCE**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
AbilityFirst

### **Opinion**

We have audited the financial statements of AbilityFirst, which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of AbilityFirst as of December 31, 2023, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of AbilityFirst and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **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 AbilityFirst's ability to continue as a going concern for one year after the date that the financial statements are issued.

### **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 GAAS 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.

To the Board of Directors  
AbilityFirst

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 GAAS, 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 AbilityFirst'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 AbilityFirst'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.

**Report on Summarized Comparative Information**

We have previously audited AbilityFirst's December 31, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Green Hasson & Janks LLP*

July 8, 2024  
Los Angeles, California

**ABILITYFIRST**

STATEMENT OF FINANCIAL POSITION

December 31, 2023

With Summarized Totals at December 31, 2022

ASSETS	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>CURRENT ASSETS:</b>				
Cash	\$ 1,806,761	\$ 156,759	\$ 1,963,520	\$ 1,099,403
Investments	3,176,214	-	3,176,214	3,810,228
Receivables (Net)	1,393,195	-	1,393,195	1,305,798
Pledges Receivable	242,789	-	242,789	335,776
Inventory	320,781	-	320,781	328,230
Prepaid Expenses	137,318	-	137,318	124,484
<b>TOTAL CURRENT ASSETS</b>	<b>7,077,058</b>	<b>156,759</b>	<b>7,233,817</b>	<b>7,003,919</b>
<b>OTHER ASSETS:</b>				
Long-Term Investments	41,839,292	18,226,034	60,065,326	53,107,083
Pledges Receivable (Net) - Non-Current	140,947	-	140,947	260,891
Security and Insurance Deposits	18,951	-	18,951	85,311
Beneficial Interest in Charitable Remainder Trusts	-	638,586	638,586	587,946
Beneficial Interest in Perpetual Trusts	-	4,489,361	4,489,361	4,216,550
Property and Equipment (Net)	26,005,655	-	26,005,655	26,230,816
<b>TOTAL OTHER ASSETS</b>	<b>68,004,845</b>	<b>23,353,981</b>	<b>91,358,826</b>	<b>84,488,597</b>
<b>TOTAL ASSETS</b>	<b>\$ 75,081,903</b>	<b>\$ 23,510,740</b>	<b>\$ 98,592,643</b>	<b>\$ 91,492,516</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES:</b>				
Accounts Payable	\$ 1,259,039	\$ -	\$ 1,259,039	\$ 1,142,054
Accrued Liabilities	990,179	-	990,179	1,116,375
Deferred Revenue	13,003	-	13,003	2,500
<b>TOTAL LIABILITIES</b>	<b>2,262,221</b>	<b>-</b>	<b>2,262,221</b>	<b>2,260,929</b>
<b>NET ASSETS:</b>				
Without Donor Restrictions	72,819,682	-	72,819,682	68,253,911
With Donor Restrictions	-	23,510,740	23,510,740	20,977,676
<b>TOTAL NET ASSETS</b>	<b>72,819,682</b>	<b>23,510,740</b>	<b>96,330,422</b>	<b>89,231,587</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 75,081,903</b>	<b>\$ 23,510,740</b>	<b>\$ 98,592,643</b>	<b>\$ 91,492,516</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# ABILITYFIRST

## STATEMENT OF ACTIVITIES Year Ended December 31, 2023 With Summarized Totals for the Year Ended December 31, 2022

	2023			2022 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING SUPPORT:</b>				
Direct Support	\$ 973,081	\$ 236,570	\$ 1,209,651	\$ 727,408
Special Events (Net of Direct Donor Benefit Expenses of \$230,966)	750,170	-	750,170	536,777
Legacies and Bequests	-	-	-	131,099
Employee Retention Credit	3,105,300	-	3,105,300	-
Other Income	134,954	21,429	156,383	160,568
Net Assets Released from Donor Restrictions	674,910	(674,910)	-	-
<b>TOTAL OPERATING SUPPORT</b>	5,638,415	(416,911)	5,221,504	1,555,852
<b>PROGRAM SERVICE REVENUE:</b>				
Government	8,944,327	-	8,944,327	8,918,928
Non-Government:				
Supported Employment	248,517	-	248,517	258,440
Other Programs	654,783	-	654,783	483,510
<b>TOTAL PROGRAM SERVICE REVENUE</b>	9,847,627	-	9,847,627	9,660,878
<b>FACILITY REVENUE</b>	496,132	-	496,132	512,171
<b>TOTAL REVENUE AND SUPPORT</b>	15,982,174	(416,911)	15,565,263	11,728,901
<b>OPERATING EXPENSES:</b>				
Program Services	15,278,332	-	15,278,332	14,392,373
Support Services:				
Management and General	3,278,256	-	3,278,256	3,023,942
Fundraising	1,023,317	-	1,023,317	1,030,405
<b>TOTAL OPERATING EXPENSES</b>	19,579,905	-	19,579,905	18,446,720
<b>CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (LOSS)</b>	(3,597,731)	(416,911)	(4,014,642)	(6,717,819)
Investment Return (Net)	6,841,345	2,626,524	9,467,869	(13,049,327)
Distributions from Perpetual Trusts	1,291,232	-	1,291,232	1,201,656
Change in Value - Beneficial Interest in Charitable Remainder Trusts	-	50,640	50,640	(83,434)
Change in Value - Beneficial Interest in Perpetual Trusts	-	272,811	272,811	(822,068)
Gain (Loss) on Disposal of Property and Equipment	30,925	-	30,925	(601,180)
<b>CHANGE IN NET ASSETS</b>	4,565,771	2,533,064	7,098,835	(20,072,172)
Net Assets - Beginning of Year	68,253,911	20,977,676	89,231,587	109,303,759
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 72,819,682</u>	<u>\$ 23,510,740</u>	<u>\$ 96,330,422</u>	<u>\$ 89,231,587</u>

The Accompanying Notes are an Integral Part of These Financial Statements

**ABILITYFIRST**

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2023  
With Summarized Totals for the Year Ended December 31, 2022

	2023				2022			
	Program Services			Total Program Services	Support Services		Total	2022 Total
	Community Centers	Community Programs	Camp Paivika		Management and General	Fundraising		
Salaries	\$ 3,773,830	\$ 5,020,178	\$ 620,110	\$ 9,414,118	\$ 1,495,282	\$ 730,425	\$ 11,639,825	\$ 10,710,489
Employee Benefits	303,933	607,888	81,030	992,851	184,225	24,582	1,201,658	1,374,232
Payroll Taxes	287,180	372,637	40,768	700,585	93,302	47,623	841,510	769,437
<b>TOTAL PERSONNEL COSTS</b>	<b>4,364,943</b>	<b>6,000,703</b>	<b>741,908</b>	<b>11,107,554</b>	<b>1,772,809</b>	<b>802,630</b>	<b>13,682,993</b>	<b>12,854,158</b>
Building Occupancy including Insurance	876,738	115,948	358,905	1,351,591	263,468	109	1,615,168	1,694,207
Depreciation	581,237	5,252	273,475	859,964	93,431	-	953,395	832,145
Professional Fees	142,229	141,043	29,219	312,491	318,122	59,966	690,579	725,590
Other Expenses	131,463	2,815	21,290	155,568	263,509	51,555	470,632	385,836
Supplies	207,966	25,446	141,986	375,398	22,710	5,731	403,839	386,187
Data Processing Expense	40,553	60,630	6,265	107,448	196,296	76,108	379,852	343,077
Local Transportation	140,630	99,901	29,234	269,765	77,943	656	348,364	377,261
Equipment Lease and Maintenance	102,035	38,875	115,060	255,970	78,486	3,525	337,981	248,486
Other Personnel Costs	97,375	119,363	7,191	223,929	111,526	198	335,653	173,579
Telephone	96,588	44,435	53,233	194,256	58,887	2,530	255,673	292,085
Rent Subsidy	50,227	-	-	50,227	-	-	50,227	71,309
Postage, Printing and Publication	2,714	1,262	3,324	7,300	11,702	19,263	38,265	50,029
Conference, Convention, Meetings and Travel	1,262	4,331	1,278	6,871	9,367	1,046	17,284	12,771
<b>TOTAL FUNCTIONAL EXPENSES - 2023</b>	<b>\$ 6,835,960</b>	<b>\$ 6,660,004</b>	<b>\$ 1,782,368</b>	<b>\$ 15,278,332</b>	<b>\$ 3,278,256</b>	<b>\$ 1,023,317</b>	<b>\$ 19,579,905</b>	
				78%	17%	5%	100%	
<b>TOTAL FUNCTIONAL EXPENSES - 2022</b>	<b>\$ 6,553,422</b>	<b>\$ 6,375,864</b>	<b>\$ 1,463,087</b>	<b>\$ 14,392,373</b>	<b>\$ 3,023,942</b>	<b>\$ 1,030,405</b>		<b>\$ 18,446,720</b>
				78%	16%	6%		100%

The Accompanying Notes are an Integral Part of These Financial Statements

**ABILITYFIRST**

STATEMENT OF CASH FLOWS  
Year Ended December 31, 2023

With Summarized Totals for the Year Ended December 31, 2022

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 7,098,835	\$ (20,072,172)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	953,395	832,145
Allowance for Credit Losses	-	113,133
Realized and Unrealized (Gain) Loss on Investments	(7,764,482)	14,445,830
(Gain) Loss on Disposal of Property and Equipment	(30,925)	601,180
Change in Value - Beneficial Interest in Charitable Remainder Trusts	(50,640)	83,434
Change in Value - Beneficial Interest in Perpetual Trusts	(272,811)	822,068
Change in Present Value Discount - Pledges Receivable	(8,819)	-
(Increase) Decrease in:		
Receivables (Net)	(87,397)	27,660
Pledges Receivable	221,750	580,891
Inventory	7,449	(85,802)
Prepaid Expenses	(12,834)	75,672
Security and Insurance Deposits	66,360	79,073
Increase (Decrease) in:		
Accounts Payable	116,985	(31,301)
Accrued Liabilities	(126,196)	49,945
Deferred Revenue	10,503	1,151
	121,173	(2,477,093)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
	121,173	(2,477,093)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Investments	(23,190)	(32,612)
Proceeds from Sale of Investments	3,019,315	4,130,721
Interest and Dividends Reinvested	(1,555,872)	(1,396,503)
Purchase of Property and Equipment	(728,234)	(2,022,954)
Proceeds from Sale of Property and Equipment	30,925	4,130
	742,944	682,782
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>		
	742,944	682,782
<b>NET INCREASE (DECREASE) IN CASH</b>	864,117	(1,794,311)
Cash - Beginning of Year	1,099,403	2,893,714
<b>CASH - END OF YEAR</b>	\$ 1,963,520	\$ 1,099,403

The Accompanying Notes are an Integral Part of These Financial Statements

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 1 - NATURE OF ORGANIZATION

AbilityFirst, established in 1926 as the Crippled Children's Society of Southern California, provides programs to help people with disabilities achieve their full potential throughout their lives. AbilityFirst's person-centered programs empower individuals with autism spectrum disorders, cerebral palsy, Down syndrome, and other intellectual/developmental disabilities to discover what is important to them in their lives, and to develop the skills that are important for them to achieve their goals. AbilityFirst's current programs serve more than 2,000 individuals annually, and include after school enrichment, life skills development and community integration opportunities, job training and employment, camping, academic support for community college students, warm water aquatics, social and recreational activities, and two group homes.

AbilityFirst leadership consists of an all-volunteer Board of Directors, which sets policy and overall strategic direction, and an executive staff team that implements policy and oversees programs and administrative activities. The Housing Governance Board monitors the financial performance of AbilityFirst's HUD (Housing and Urban Development) sponsored housing properties and assures compliance with HUD rules and regulations. In May 2023, AbilityFirst entered into an agreement with another provider to transfer the sponsored housing properties, which is pending approval by certain government agencies.

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) BASIS OF PRESENTATION

The financial statements of AbilityFirst have been prepared using the accrual basis of accounting.

#### (b) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.
- **Net Assets With Donor Restrictions.** Contributions restricted by donors 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-restricted 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 donor restrictions.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(c) CASH**

AbilityFirst maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits.

#### **(d) INVESTMENTS**

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Securities are generally held in custodial investment accounts administered by financial institutions. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statement of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

#### **(e) RECEIVABLES**

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for expected credit losses, represents their estimated fair value. The estimation of the allowance is based on an analysis of historical loss experience and management's assessment of current conditions and reasonable and supportable expectations of future conditions. AbilityFirst assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances do not share similar risk characteristics with the pools. The expense or recovery associated with the allowance for expected credit losses is recognized in management and general expense. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) LEGACIES AND BEQUESTS

AbilityFirst has been named beneficiary in a number of bequests. Certain of these gifts have not been recorded in the accompanying financial statements because the donors' wills have not yet been declared valid by the probate court and/or the value of the amounts to be received is not yet determinable. AbilityFirst will record and report all gifts when declared valid and the amount is determinable.

#### (g) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Contributions, including endowment gifts and pledges, as well as unconditional promises to give, are recognized as revenue in the period promised. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not included as revenue until such time as the conditions on which they depend have been substantially met. Amounts expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded at the present value of estimated future cash flows discounted at an appropriate market interest rate at the time of the contribution. At December 31, 2023, management evaluated the collectability of pledges receivable and no allowance for uncollectible pledges receivable was considered necessary.

During the year ended December 31, 2023, AbilityFirst qualified for the Employee Retention Credit (ERC), a refundable payroll tax credit program enacted by the Coronavirus Aid, Relief, and Economic Security (CARES) Act in March 2020. Under the provisions of the ERC program, an eligible entity may take a credit against the employer's portion of Social Security taxes withheld on qualified wages subject to certain limitations. AbilityFirst has accounted for the ERC as a conditional government grant and considers that it substantially met the various conditions prescribed in the ERC program for the period of January through September 2021 and accordingly, has recognized ERC income totaling \$3,105,300, which is included as a separate line item in the accompanying statement of activities. The ERC was collected in full during the year ended December 31, 2023.

#### (h) BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

AbilityFirst has been designated as the beneficiary of assets held in charitable remainder trusts administered by other trustees. AbilityFirst recognizes contribution revenue with donor restrictions and a receivable which represents the present value of the estimated future benefits to be received when the trust assets are distributed. Adjustments to the receivable to reflect the revaluation of the present value of the estimated future payments to the lifetime beneficiaries are recognized in the statement of activities as a change in value of beneficial interest in charitable remainder trusts. The carrying values of certain trusts have not yet been determined. Accordingly, such assets have not been recorded in the accompanying financial statements.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) BENEFICIAL INTEREST IN PERPETUAL TRUSTS

Donors have established and funded trusts, which are administered by organizations other than AbilityFirst. Under the terms of the trusts, AbilityFirst has the irrevocable right to receive all or a portion of the income earned on the trust assets either in perpetuity or for the life of the trust. AbilityFirst does not control the assets held by an outside trust. Annual distributions from the trusts are reported under non-operating income on the statement of activities as distributions from perpetual trusts. Adjustments to the beneficial interest to reflect changes in the fair value are reflected in the statement of activities as a change in value of beneficial interest in perpetual trusts. The carrying values of certain trusts have not yet been determined. Accordingly, such assets have not been recorded in the accompanying financial statements.

#### (j) INVENTORY

Inventory is stated at the lower of cost or net realizable value, with cost being determined using average cost.

#### (k) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is provided over the estimated useful lives of the related assets on a straight-line basis as follows:

Buildings	40 Years
Leasehold Improvements	10 Years
Furniture and Equipment	10 Years
Transportation Equipment	6 Years

Expenditures for maintenance and repairs are charged to operations as incurred while renewals and betterments are capitalized. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$3,000 and the useful life is greater than one year.

#### (l) LONG-LIVED ASSETS

AbilityFirst reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flow is less than the carrying amount of the assets, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No such impairment losses have been recognized during the year ended December 31, 2023.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) REVENUE FROM CONTRACTS WITH CUSTOMERS

AbilityFirst's revenues from contracts with customers are generated from program service revenues and facility revenue. AbilityFirst recognizes revenue from these revenue streams when the respective performance obligations are satisfied.

- Program service revenue (government) is earned from contracts with Regional Centers and the Department of Rehabilitation. The performance obligation for such contracts consists of coordinating and delivering services to individuals with developmental disabilities. Site contracts exist with Regional Centers for a flat or hourly fee for services provided to qualifying consumers. Payment agreements are determined on a client-by-client basis. AbilityFirst recognizes revenue from these contracts over time as the related services are provided.
- Program service revenue (non-government) consists of supported employment and other programs, including camp revenues. Supported employment contracts relate to programs where individuals work at community businesses, mostly in internships, and AbilityFirst serves as the employer of record. These revenues are recognized over time when performance obligations to provide the noted services have been met. Camp revenues consist of fees paid by individuals to attend summer and other camps at Camp Paivika. These revenues are recognized over the duration of the camp. The performance obligation consists of providing participants access to the camp facilities, camp programming, and is recognized ratably as services are simultaneously received and consumed by the individuals.
- Facility fee revenue consists of fees paid for short term rentals to use the facilities or camp. The performance obligation consists of providing access to the facilities or camp and revenues are recognized over the term of the use.

Fees for revenues with contracts with customers, which are billed and collected in advance are deferred and recognized as income in the period in which the related services are rendered. There were no contract assets or liabilities as of January 1 or December 31, 2023.

#### (n) INCOME TAXES

AbilityFirst is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding California provisions.

In accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic No. 740, *Uncertainty in Income Taxes*, AbilityFirst recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended December 31, 2023, AbilityFirst performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

#### **(o) FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing AbilityFirst's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. AbilityFirst uses proportional salary dollars to allocate indirect costs.

#### **(p) USE OF ESTIMATES**

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

#### **(q) COMPARATIVE TOTALS**

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements of AbilityFirst for the year ended December 31, 2022, from which the summarized information was derived.

#### **(r) NEW ACCOUNTING PRONOUNCEMENTS**

In June 2016, the FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13), *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. AbilityFirst implemented this ASU and amendments during the year ended December 31, 2023. Implementation of the ASU had no material impact on the financial statements.

#### **(s) SUBSEQUENT EVENTS**

AbilityFirst has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2023 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through July 8, 2024, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 3 - INVESTMENTS

Investments consist of the following at December 31, 2023:

U.S. Equity Mutual Funds	\$ 26,529,728
International Equity Mutual Funds	16,244,293
U.S. Fixed Income Mutual Funds	12,760,535
Real Estate Mutual Funds	5,922,580
International Fixed Income Mutual Funds	<u>1,784,404</u>
<b>TOTAL INVESTMENTS</b>	<b>63,241,540</b>
Less: Current Portion	<u>(3,176,214)</u>
<b>LONG-TERM INVESTMENTS</b>	<b><u>\$ 60,065,326</u></b>

### NOTE 4 - FAIR VALUE MEASUREMENTS

AbilityFirst has implemented the accounting standard that defines fair value for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

The following table presents information about AbilityFirst's assets that are measured at fair value on a recurring basis at December 31, 2023 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Total at December 31, 2023	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Equity Mutual Funds	\$ 26,529,728	\$ 26,529,728	\$ -	\$ -
International Equity Mutual Funds	16,244,293	16,244,293	-	-
U.S. Fixed Income Mutual Funds	12,760,535	12,760,535	-	-
Real Estate Mutual Funds	5,922,580	5,922,580	-	-
International Fixed Income Mutual Funds	<u>1,784,404</u>	<u>1,784,404</u>	-	-
<b>TOTAL INVESTMENTS</b>	<b>63,241,540</b>	<b>63,241,540</b>	<b>-</b>	<b>-</b>
Beneficial Interest in:				
Charitable Remainder Trusts	638,586	-	-	638,586
Perpetual Trusts	<u>4,489,361</u>	<u>-</u>	<u>-</u>	<u>4,489,361</u>
<b>TOTAL</b>	<b><u>\$ 68,369,487</u></b>	<b><u>\$ 63,241,540</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 5,127,947</u></b>

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### **NOTE 4 - FAIR VALUE MEASUREMENTS** (continued)

The fair values of investments within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year. AbilityFirst invests in the following investments within Level 1:

#### **U.S. Equity Mutual Funds**

Investments in equity mutual funds include actively traded U.S. investment funds that hold long/short positions in equity securities that are within and outside of the S & P 500 Index. In addition to common stocks, these funds are able to invest in futures and forward contracts to gain exposure to equity and commodity markets. The fair value of the actively traded portfolio is based on the ticker prices of the underlying stocks and derivative contracts listed on the stock exchange. Redemptions can be made daily with redemption notice periods ranging from one to five business days. There were no unfunded commitments at December 31, 2023.

#### **International Equity Mutual Funds**

Investments in international equity mutual funds include international stock funds listed on the U.S. Stock Exchanges and investment funds that invest in non-U.S. issuers and securities whose principal markets are outside of the U.S. The fair values of these securities are based on the ticker price listed on the global stock exchanges. Redemptions can be made daily with redemption notice periods ranging from one to five business days. There were no unfunded commitments at December 31, 2023.

#### **U.S. Fixed Income Mutual Funds**

Investments in U.S. fixed income mutual funds include actively traded investment funds that provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. The fair value of the actively traded fixed income mutual fund portfolio is based on the ticker prices of the underlying funds listed on the global exchanges. Redemptions can be made daily with redemption notice periods ranging from one to five business days. There were no unfunded commitments at December 31, 2023.

#### **Real Estate Mutual Funds**

Investments in real estate mutual funds are invested in real estate investment trust (REIT) funds that provide long-term returns. The fair values of these securities are based on the ticker price listed on the global stock exchanges. Redemptions can be made daily with redemption notice periods ranging from one to five business days. There were no unfunded commitments at December 31, 2023.

#### **International Fixed Income Mutual Funds**

Investments in international fixed income mutual funds include actively traded investment funds that provide a return in the form of fixed periodic payments and the eventual return of principal at maturity. The fair value of the actively traded fixed income mutual fund portfolio is based on the ticker prices of the underlying funds listed on the global exchanges. Redemptions can be made daily with redemption notice periods ranging from one to five business days. There were no unfunded commitments at December 31, 2023.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 4 - FAIR VALUE MEASUREMENTS (continued)

The fair values of beneficial interests within Level 3 inputs were determined as described in Notes 2(h) and 2(i).

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Beneficial Interest in Charitable Remainder Trusts	Beneficial Interest in Perpetual Trusts	Total
Beginning Balance	\$ 587,946	\$ 4,216,550	\$ 4,804,496
Change in Value of Beneficial Interest	50,640	272,811	323,451
<b>ENDING BALANCE</b>	<b>\$ 638,586</b>	<b>\$ 4,489,361</b>	<b>\$ 5,127,947</b>

### NOTE 5 - PLEDGES RECEIVABLE

At December 31, 2023, pledges receivable are due to be collected as follows:

Within One Year	\$ 242,789
In Two to Five Years	<u>149,160</u>
<b>GROSS PLEDGES RECEIVABLE</b>	<b>391,949</b>
Less: Present Value Discount (4.014%)	<u>(8,213)</u>
<b>TOTAL PLEDGES RECEIVABLE</b>	<b><u>\$ 383,736</u></b>

### NOTE 6 - BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

AbilityFirst is the beneficiary of several charitable remainder trusts administered by other trustees. Assets held in charitable remainder trusts totaled \$638,586 at December 31, 2023, representing the portion of the net present value of the charitable remainder trusts for which AbilityFirst is the designated beneficiary.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 7 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

AbilityFirst is the beneficiary of the following trusts whose assets are not in its possession. AbilityFirst has legally enforceable rights or claims to such assets, including annual income, as follows:

	<u>Carrying Value</u>
20% Interest in Perpetual Trust; Distributions received during the year ended December 31, 2023 were \$77,623	\$ 1,633,109
50% Interest in Perpetual Trust; Distributions received during the year ended December 31, 2023 were \$61,700	1,352,420
50% Interest in Perpetual Trust; No distributions received during the year ended December 31, 2023	498,321
33.33% Interest in Perpetual Trust; Distributions received during the year ended December 31, 2023 were \$17,895	481,398
16.67% Interest in Perpetual Trust; Distributions received during the year ended December 31, 2023 were \$1,129,570. A portion of the assets in this trust are oil and gas royalties, the carrying value of which is not determinable and, therefore, has not been recorded. The annual distributions received fluctuate based upon changing market prices for oil and gas.	206,593
50% Interest in Perpetual Trust; No distributions received during the year ended December 31, 2023	231,925
5% Interest in Perpetual Trust; Distributions received during the year ended December 31, 2023 were \$4,444	85,595
<b><i>TOTAL BENEFICIAL INTEREST IN PERPETUAL TRUSTS</i></b>	<u>\$ 4,489,361</u>

The total income distributed by the perpetual trusts to AbilityFirst during the year ended December 31, 2022, amounted to \$1,291,232.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 8 - PROPERTY AND EQUIPMENT

Land	\$	7,002,572
Buildings and Leasehold Improvements		26,013,263
Furniture and Equipment		3,209,774
Transportation Equipment		1,399,309
Construction in Progress		<u>177,356</u>
<b>TOTAL</b>		37,802,274
Less: Accumulated Depreciation		<u>(11,796,619)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	\$	<u><u>26,005,655</u></u>

Depreciation expense for the year ended December 31, 2023 was \$953,395.

Construction in progress consists of improvements to various community centers. As of December 31, 2023, the cost to complete these projects is estimated by management to be approximately \$84,000 with estimated final completion by December 31, 2024.

### NOTE 9 - COMMITMENTS AND CONTINGENCIES

#### (a) CONTRACTS

AbilityFirst's grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. Where liabilities resulting from such governmental audits can be reasonably estimated, they are accrued for.

#### (b) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, AbilityFirst may become involved in various legal proceedings. Some of these proceedings may result in judgments being assessed against AbilityFirst which, from time to time, may have an impact on changes in net assets. AbilityFirst does not believe that these proceedings, individually or in the aggregate, would have a material effect on the accompanying financial statements.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 10 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions are available for the following purposes at December 31, 2023:

Investment in Property and Equipment	\$ 26,005,655
General Operations	<u>46,814,027</u>
<b>TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS</b>	<b><u>\$ 72,819,682</u></b>

### NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2023:

Subject to Expenditure for Specified Purpose:	
Other Programs	<u>\$ 676,037</u>
<b>TOTAL SUBJECT TO EXPENDITURE FOR SPECIFIED PURPOSE</b>	<b>676,037</b>
Subject to the Passage of Time:	
Charitable Remainder Trusts	638,586
Subject to Appropriation or Spending Policy:	
Donor-Restricted Perpetual Endowments:	
Camp Paivika	12,000,000
Other Programs	617,181
Camp Scholarships	584,785
Other Scholarships	26,775
Unspent Endowment Earnings	<u>4,478,015</u>
<b>TOTAL SUBJECT TO APPROPRIATION OR SPENDING POLICY</b>	<b>17,706,756</b>
<b>TOTAL NOT SUBJECT TO APPROPRIATION OR SPENDING POLICY:</b>	
Perpetual Trusts	<u>4,489,361</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 23,510,740</u></b>

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 11 - NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2023:

Satisfaction of Purpose Restrictions	
Other Programs	\$ 101,240
Appropriation of Endowment Assets	<u>573,670</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 674,910</u></b>

### NOTE 12 - ENDOWMENTS

AbilityFirst's endowments consist of funds established for a variety of purposes. Endowment funds are established by donor-restricted gifts to provide an endowment required to be maintained in perpetuity, which is to provide a permanent source of income to AbilityFirst.

AbilityFirst's management understands California State law as (1) requiring the preservation of the fair market value of the original gifts as of the gift date of the donor restricted endowment funds, and (2) allowing the spending of income and gains on endowments required to be maintained in perpetuity, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for AbilityFirst's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, annual growth percentage and costs of portfolio management.

In the absence of explicit donor instructions, AbilityFirst's spending policy allows that up to 5% of the endowment base shall be available to support AbilityFirst programs annually. The endowment base is defined as a 12-quarter moving average of the market value of the total endowment portfolio.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 12 - ENDOWMENTS (continued)

<b>Endowment Net Asset Composition by Type of Fund at December 31, 2023</b>	<b>With Donor Restrictions</b>
Donor-Restricted	<u>\$ 17,706,756</u>
<b>Changes in Endowment Net Assets for the Year Ended December 31, 2023</b>	
Endowment Net Assets - Beginning of Year	15,653,902
Investment Return (Net)	2,626,524
Appropriations for Expenditures	<u>(573,670)</u>
<b>ENDOWMENT NET ASSETS - END OF YEAR</b>	<u>\$ 17,706,756</u>

Investment return related to AbilityFirst's donor-restricted endowments is recorded as revenue with donor restrictions unless otherwise directed by the donor's gift instrument.

### NOTE 13 - EMPLOYEE BENEFIT PLAN

AbilityFirst offers a 403(b) defined contribution retirement plan for employees. The plan was established July 1, 1999 and last restated on January 1, 2017. Eligible employees can voluntarily contribute immediately with employer contributions beginning after one year of service earned upon completing 1,000 hours of service. The plan has certain exclusions that apply to those who are employed to work less than 20 hours per week and non-resident aliens.

Effective January 1, 2017, the defined contribution retirement plan was amended so that all employees hired prior to January 1, 2017 are immediately vested in employer contributions. Participants hired on or after this date vest at a rate of 20% per year with full vesting at five years of service. The employer's annual matching contribution is up to 3% of the employees' gross salaries. The matching contribution was approximately \$139,000 for the year ended December 31, 2023.

# ABILITYFIRST

## NOTES TO FINANCIAL STATEMENTS December 31, 2023

### NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by AbilityFirst at December 31, 2023 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at December 31, 2023	
Cash	\$ 1,806,761
Investments	3,176,214
Receivables (Net)	1,393,195
Pledges Receivable	<u>242,789</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 6,618,959</u></b>

AbilityFirst regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of AbilityFirst's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To help manage unanticipated liquidity needs, AbilityFirst has certain long-term investments that are not subject to donor restrictions that could be made available for current operations, if necessary.