United Ability, Inc.

Consolidated Financial Report
September 30, 2020

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Independent Auditor's Report

To the Board of Directors
United Ability, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of United Ability, Inc., which comprise the consolidated statements of financial position as of September 30, 2020 and 2019, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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 audits. We conducted our audits 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 United Ability, Inc. as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2021, on our consideration of United Ability, 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 solely 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 the effectiveness of United Ability, Inc.'s 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 United Ability, Inc.'s internal control over financial reporting and compliance.

Haley & Woods, LLP

January 13, 2021

United Ability, Inc.

Consolidated Statement of Financial Position
September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets:			
Cash	$ 1,696,712	$ 101,253	$ 1,797,965
Cash – board designated	2,176,815	-	2,176,815
Cash – board designated endowment fund	104,045	-	104,045
Accounts receivable:			
Client fees (net of allowance of $232,097)	263,861	-	263,861
Document destruction (net of allowance of $43,001)	87,221	-	87,221
Grants (net of allowance of $60,000)	700,425	-	700,425
Other	117,827	-	117,827
Current portion of pledges receivable (net of allowance of $5,000)	14,000	53,000	67,000
Prepaid expenses and other assets	1,120	-	1,120
Total current assets	5,162,026	154,253	5,316,279
Property and equipment, net	11,790,742	-	11,790,742
Investments:			
Board designated	1,251,005	-	1,251,005
Board designated endowment fund	1,456,434	-	1,456,434
Beneficial interest in perpetual trusts	-	26,225,228	26,225,228
Total assets	$ 19,660,207	$ 26,379,481	$ 46,039,688

(Continued)

United Ability, Inc.

Consolidated Statement of Financial Position (Continued)
September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$ 355,101	$ -	$ 355,101
Accrued payroll and benefits	512,655	-	512,655
Deferred revenue	33,752	-	33,752
Refundable advance - Paycheck Protection Program	1,757,000	-	1,757,000
Current portion of capital lease obligation	14,655	-	14,655
Total current liabilities	2,673,163	-	2,673,163
Long-term portion of accrued benefits	382,152	-	382,152
Capital lease obligation, less current portion	14,450	-	14,450
Total liabilities	3,069,765	-	3,069,765
Net assets:			
Without donor restrictions:			
Undesignated	11,602,143	-	11,602,143
Designated by the Board for endowment purposes	1,560,479	-	1,560,479
Designated by the Board for other purposes, including Lucille Stewart Beeson Fund	3,427,820	-	3,427,820
	16,590,442	-	16,590,442
With donor restrictions	-	26,379,481	26,379,481
Total net assets	16,590,442	26,379,481	42,969,923
Total liabilities and net assets	$ 19,660,207	$ 26,379,481	$ 46,039,688

See notes to consolidated financial statements.

United Ability, Inc.

Consolidated Statement of Financial Position
September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Assets			
Current assets:			
Cash	$ 736,072	$ 88,173	$ 824,245
Cash – board designated	1,592,792	-	1,592,792
Cash – board designated endowment fund	57,153	-	57,153
Accounts receivable:			
Client fees (net of allowance of $175,358)	251,697	-	251,697
Document destruction (net of allowance of $42,992)	67,092	-	67,092
Grants (net of allowance of $60,000)	765,127	-	765,127
Other	92,236	-	92,236
Current portion of pledges receivable (net of allowance of $5,000)	29,500	55,000	84,500
Prepaid expenses and other assets	10,496	-	10,496
Total current assets	3,602,165	143,173	3,745,338
Property and equipment, net	12,158,549	-	12,158,549
Investments:			
Board designated	1,260,333	-	1,260,333
Board designated endowment fund	1,384,766	-	1,384,766
Beneficial interest in perpetual trusts	-	25,591,981	25,591,981
Total assets	$ 18,405,813	$ 25,735,154	$ 44,140,967

(Continued)

United Ability, Inc.

Consolidated Statement of Financial Position (Continued)
September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	$ 403,854	$ -	$ 403,854
Accrued payroll and benefits	462,955	-	462,955
Deferred revenue	40,314	-	40,314
Current portion of capital lease obligation	13,582	-	13,582
Total current liabilities	920,705	-	920,705
Long-term portion of accrued benefits	395,791	-	395,791
Capital lease obligation, less current portion	29,104	-	29,104
Total liabilities	1,345,600	-	1,345,600
Net assets:			
Without donor restrictions:			
Undesignated	12,765,169	-	12,765,169
Designated by the Board for endowment purposes	1,441,919	-	1,441,919
Designated by the Board for other purposes, including Lucille Stewart Beeson Fund	2,853,125	-	2,853,125
	17,060,213	-	17,060,213
With donor restrictions	-	25,735,154	25,735,154
Total net assets	17,060,213	25,735,154	42,795,367
Total liabilities and net assets	$ 18,405,813	$ 25,735,154	$ 44,140,967

See notes to consolidated financial statements.

United Ability, Inc.

Consolidated Statement of Activities
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Government contracts and grants	$ 6,835,572	$ -	$ 6,835,572
Client fees	1,823,108	-	1,823,108
United Way funds	736,588	-	736,588
Sales – document destruction	953,056	-	953,056
Distributions from beneficial interest in perpetual trusts	940,463	115,165	1,055,628
Contributions	579,027	55,000	634,027
Special events	285,039	-	285,039
Recycling income	130,081	-	130,081
Net gain on investments	76,613	-	76,613
Interest income	93,744	-	93,744
Miscellaneous	59,498	-	59,498
Change in fair value of beneficial interest in perpetual trusts	-	633,247	633,247
	12,512,789	803,412	13,316,201
Net assets released from restrictions	159,085	(159,085)	-
	12,671,874	644,327	13,316,201
Expenses:			
Program services:			
Children's services	7,587,580	-	7,587,580
Adult services	4,832,271	-	4,832,271
Supporting services:			
Management and general	190,655	-	190,655
Fundraising	531,139	-	531,139
	13,141,645	-	13,141,645
(Decrease) increase in net assets	(469,771)	644,327	174,556
Net assets:			
Beginning of year	17,060,213	25,735,154	42,795,367
End of year	$ 16,590,442	$ 26,379,481	$ 42,969,923

See notes to consolidated financial statements.

United Ability, Inc.

Consolidated Statement of Activities
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:			
Government contracts and grants	$ 6,667,513	$ -	$ 6,667,513
Client fees	2,299,269	-	2,299,269
United Way funds	753,045	-	753,045
Sales – document destruction	1,167,767	-	1,167,767
Distributions from beneficial interest in perpetual trusts	1,076,498	134,581	1,211,079
Contributions	527,711	55,000	582,711
Special events	410,466	-	410,466
Recycling income	209,577	-	209,577
Net gain on investments	51,059	-	51,059
Interest income	130,334	-	130,334
Miscellaneous	32,218	-	32,218
Change in fair value of beneficial interest in perpetual trusts	-	454,612	454,612
	13,325,457	644,193	13,969,650
Net assets released from restrictions	48,659	(48,659)	-
	13,374,116	595,534	13,969,650
Expenses:			
Program services:			
Children's services	7,420,771	-	7,420,771
Adult services	4,915,041	-	4,915,041
Supporting services:			
Management and general	135,012	-	135,012
Fundraising	645,556	-	645,556
	13,116,380	-	13,116,380
Increase in net assets	257,736	595,534	853,270
Net assets:			
Beginning of year	16,802,477	25,139,620	41,942,097
End of year	$ 17,060,213	$ 25,735,154	$ 42,795,367

See notes to consolidated financial statements.

United Ability, Inc.

Consolidated Statement of Functional Expenses
Year Ended September 30, 2020

	Program Services		Supporting Services		
	Children's Services	**Adult Services**	**Management and General**	**Fundraising**	**Total**
Salaries	$ 4,902,783	$ 3,113,960	$ 92,507	$ 342,227	$ 8,451,477
Bad debt expense	56,739	-	-	-	56,739
Contract services	262,327	133,906	7,591	13,243	417,067
Depreciation	351,595	413,214	7,722	-	772,531
Dues and subscriptions	12,137	4,301	49	1,887	18,374
Food, net of reimbursement	48,133	-	-	-	48,133
Insurance – employees	464,930	325,974	6,475	30,783	828,162
Insurance – general	90,180	55,575	1,712	6,406	153,873
Interest	-	2,787	-	-	2,787
Janitorial supplies	9,075	9,472	10,504	-	29,051
Legal and accounting	32,379	20,175	622	2,325	55,501
Maintenance	119,358	87,964	19,060	2,642	229,024
Medical supplies	256,728	23,766	-	-	280,494
Miscellaneous	72,375	73,121	29,416	25,084	199,996
Office supplies	49,375	27,979	362	992	78,708
Payroll taxes	332,124	217,361	5,631	21,476	576,592
Postage	5,257	3,275	100	1,131	9,763
Program supplies	52,615	37,382	13	396	90,406
Public awareness	37,567	23,708	721	22,257	84,253
Retirement	157,618	64,323	4,229	11,815	237,985
Special events costs	-	-	-	30,973	30,973
Staff development	27,243	15,547	1,105	5,046	48,941
Staff travel	83,784	31,984	40	397	116,205
Telephone	38,762	24,143	361	3,323	66,589
Transportation	-	44,520	-	-	44,520
U.C.P.A., Inc. dues	2,855	2,045	100	-	5,000
Utilities	121,641	75,789	2,335	8,736	208,501
Total expenses	$ 7,587,580	$ 4,832,271	$ 190,655	$ 531,139	$ 13,141,645

See notes to consolidated financial statements.

United Ability, Inc.

Consolidated Statement of Functional Expenses
Year Ended September 30, 2019

	Program Services		Supporting Services		
	Children's Services	Adult Services	Management and General	Fundraising	Total
Salaries	$ 4,660,804	$ 2,912,619	$ 81,697	$ 340,938	$ 7,996,058
Bad debt expense	50,662	13	-	-	50,675
Contract services	281,617	191,477	12,784	7,604	493,482
Depreciation	327,738	401,124	6,032	-	734,894
Dues and subscriptions	30,547	16,577	291	3,052	50,467
Food, net of reimbursement	56,747	-	-	-	56,747
Insurance – employees	385,022	392,853	5,403	18,765	802,043
Insurance – general	86,589	48,014	1,841	5,866	142,310
Interest	-	3,781	-	-	3,781
Janitorial supplies	15,890	14,914	2,496	-	33,300
Legal and accounting	36,850	22,185	775	2,700	62,510
Maintenance	141,310	147,180	9,447	2,745	300,682
Medical supplies	294,842	27,586	-	-	322,428
Miscellaneous	96,887	83,097	2,848	72,928	255,760
Office supplies	50,464	35,401	283	6,356	92,504
Payroll taxes	317,028	203,561	5,586	22,157	548,332
Postage	6,767	4,036	140	3,316	14,259
Program supplies	50,389	54,488	94	458	105,429
Public awareness	21,197	37,375	433	14,295	73,300
Retirement	148,756	66,929	444	11,142	227,271
Special events costs	-	-	-	108,961	108,961
Staff development	36,712	39,918	692	6,730	84,052
Staff travel	138,613	44,650	130	1,378	184,771
Telephone	37,676	24,384	456	5,576	68,092
Transportation	-	53,839	-	-	53,839
U.C.P.A., Inc. dues	2,855	2,045	100	-	5,000
Utilities	144,809	86,995	3,040	10,589	245,433
Total expenses	$ 7,420,771	$ 4,915,041	$ 135,012	$ 645,556	$ 13,116,380

See notes to consolidated financial statements.

United Ability, Inc.

Consolidated Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Increase in net assets	**$ 174,556**	$ 853,270
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Bad debt expense	**56,739**	50,675
Depreciation	**772,531**	734,894
Interest and dividends reinvested	**(9,155)**	(90,187)
Net gain on investments	**(76,613)**	(51,059)
Change in fair value of beneficial interest in perpetual trusts	**(633,247)**	(454,612)
Changes in assets and liabilities:		
Accounts receivable	**(49,921)**	(367,678)
Pledges receivable	**17,500**	57,600
Prepaid expenses and other assets	**9,376**	30,189
Accounts payable	**(48,753)**	172,492
Accrued payroll and benefits	**36,061**	52,370
Deferred revenue	**(6,562)**	(414)
Refundable advance - Paycheck Protection Program	**1,757,000**	-
Net cash provided by operating activities	**1,999,512**	987,540
Cash flows from investing activities:		
Payments for property and equipment	**(404,724)**	(350,564)
Purchases of investments	**(921,951)**	(384,639)
Proceeds from redemption of investments	**945,379**	397,979
Net cash used in investing activities	**(381,296)**	(337,224)
Cash flows from financing activities:		
Payments on capital lease obligation	**(13,581)**	(12,587)
Net cash used in financing activities	**(13,581)**	(12,587)
Net increase in cash	**1,604,635**	637,729
Cash:		
Beginning of year	**2,474,190**	1,836,461
End of year	**$ 4,078,825**	$ 2,474,190
Supplemental cash flow disclosure:		
Cash paid during year for interest	**$ 2,787**	$ 3,781

See notes to consolidated financial statements.

Note 1. Nature of Organization

Nature of organization: United Ability, Inc. (the Organization), formerly known as United Cerebral Palsy of Greater Birmingham, Inc., was founded in 1948 to provide services and programs for children and adults with cerebral palsy or related motor disorders that address their physical and health needs, that encourage their educational development and which offer opportunities for true integration into their social communities.

Consolidation of related entities: The Organization has adopted the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810, Not-for-Profit Entities: Consolidation. FASB ASC 958-810 states that a not-for-profit organization should consolidate another not-for-profit organization if the reporting not-for-profit organization has both control of the other not-for-profit organization, as evidenced by either majority ownership or a majority voting interest in the board of the other not-for-profit organization, and an economic interest in the other not-for-profit organization.

For the years ended September 30, 2020 and 2019, the Organization's related entity was United Ability Foundation, Inc., which operates primarily for the benefit of the Organization.

The Organization is also required to comply with FASB ASC 850-10, Related Party Disclosures. Under this standard, all material related party transactions have been eliminated in the consolidating process and substantive disclosure of these amounts is not required.

Note 2. Significant Accounting Policies

Basis of accounting: The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization follows the standards of accounting and financial reporting for voluntary health and welfare organizations developed by the National Health Council, National Voluntary Health and Social Welfare Organizations.

Basis of presentation: For financial statement presentation, the Organization has adopted FASB ASC 958-205, Not-for-Profit Entities: Presentation of Financial Statements. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Revenue and recognition of donor restrictions: The Organization receives support from government contracts and grants, client fees, United Way funds, public support, program sales and investment earnings. Government contracts and grants are recognized when relevant regulatory or contractual requirements are met, which vary depending on the type of compliance requirements specified in the grant or contract. Amounts received for client fees are recognized during the period of service.

Contributions, including United Way funds and public support, are recognized when the donor makes a gift or a promise to give to the Organization that is, in substance, unconditional. Amounts received for program sales are recognized when delivery has occurred or services have been rendered. Recycling income is recognized when the items, consisting of shredded paper, to be recycled are sold.

Note 2. Significant Accounting Policies (Continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. All other net assets, including Board designated, are legally unrestricted, and are reported as part of the unrestricted class.

Use of estimates: The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The Organization had approximately $2,085,000 and $1,590,000 in cash equivalents at September 30, 2020 and 2019, respectively.

Accounts receivable and pledges receivable: Receivables are carried at original invoice or pledge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Pledges receivable or unconditional promises to give are recognized as revenues in the period received. Management determines the allowance for doubtful accounts by identifying troubled accounts or pledges and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

As of September 30, 2020, pledges receivable totaled $67,000, net of a $5,000 reserve allowance, with $67,000 due within one year. As of September 30, 2019, pledges receivable totaled $84,500, net of a $5,000 reserve allowance, with $84,500 due within one year.

Property and equipment: Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

All acquisitions of property and equipment in excess of $1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost and are depreciated over their estimated useful lives using straight-line and accelerated methods.

Note 2. Significant Accounting Policies (Continued)

The average lives used in computing depreciation are as follows:

	Years
Land improvements	20
Buildings and improvements	20-39
Equipment and furniture	3-7
Vehicles	5-7

Impairment of assets: In accordance with FASB ASC 360-10-35, Impairment or Disposal of Long-Lived Assets, the Organization records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. If impairment exists, the amount of such impairment is calculated based on the estimated fair value of the asset. The Organization continually evaluates its investment in long-lived assets used in operations for impairment. Based on this evaluation, there was no impairment at September 30, 2020 or 2019.

Investments: In accordance with FASB ASC 958-320, Not-for-Profit Entities: Investments – Debt and Equity Securities, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on published prices. Changes in fair values are included in net gain (loss) on investments in the consolidated statements of activities. Realized gains and losses are computed on the specific identification method. All investment income (including interest and dividends on investments) and realized and unrealized gains and losses are included in net gain (loss) on investments in the consolidated statements of activities.

Functional expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited based on a percentage method on the following bases: 1) depreciation is allocated based on square-footage used by each program, 2) salaries and benefits are allocated based on estimates of time and effort and 3) other administrative expenses, such as dues and subscriptions, interest, legal and accounting and U.C.P.A., Inc. dues, are allocated based on the size of programs.

Accrued liabilities: As of September 30, 2017, the Organization was self-insured for employees' health insurance. The liability for unpaid claims is an estimate of the ultimate cost for claims reported and claims incurred but not paid. The Organization also carries a stop-loss insurance policy that limits the amount of the Organization's liability on larger claims. As of September 30, 2020 and 2019, the liability was $71,000 and $60,000, respectively, and is included in accrued payroll and benefits in the consolidated statements of financial position.

Income taxes: The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

The Organization files a tax return in the United States (U.S.) federal jurisdiction. The Board of Directors evaluated the Organization's tax position and concluded that the Organization has not entered into any events or transactions that would disqualify its tax-exempt status or has not taken any uncertain tax positions that would cause the Organization to incur income taxes or penalties at the entity level. With few exceptions, the Organization is no longer subject to U.S. federal tax examinations by tax authorities for years before 2017.

Note 2. Significant Accounting Policies (Continued)

Subsequent events: Subsequent events have been evaluated through January 13, 2021, which is the date the consolidated financial statements were available for issuance.

Recently adopted accounting pronouncements: In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606),* which specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. To achieve this, the entity should apply certain steps outlined in the amendment. This ASU will supersede the revenue recognition requirements of Topic 605, *Revenue Recognition*, and most industry-specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018.

Management adopted this update for the Organization's fiscal year beginning October 1, 2019, using a modified retrospective approach. Under this approach, the Organization's financial statements are prepared under the revised guidance for the year of adoption, but not for prior years, and the Organization would recognize a cumulative adjustment to the opening balance of net assets for contracts that still require performance by the Organization at the date of adoption. The adoption of ASC 606 on October 1, 2019, resulted in no impact that required recognition of a cumulative adjustment of the opening net assets balance for contracts that still required performance at September 30, 2020. Further, application of ASC 606 for the year ended September 30, 2020 had no impact on the Organization's financial position at September 30, 2020, and the statement of activities for the year ended September 30, 2020.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. This guidance became effective for the Organization's financial statements for the year ending September 30, 2020. This adoption of ASU 2014-09 did not have a significant impact on the statement of cash flows.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-profit Entities, or as exchanges (reciprocal transactions) subject to other guidance and (20 determining whether a contribution is conditional. This guidance became effective for the Organization's financial statements for the year ending September 30, 2020. This adoption of ASU 2018-08 did not have a significant impact on the Organization's financial position or changes in net assets.
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Recent accounting pronouncements: In February 2016, the FASB issued ASU 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 is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the consolidated financial statements, with certain practical expedients available. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an additional transition method by allowing entities to initially apply the new leases standard at the adoption date and recognize a cumulative-effect

Note 2. Significant Accounting Policies (Continued)

adjustment to the opening balance of net assets in the period of adoption. The Organization is currently evaluating the impact the pending adoption of the new standard will have on its consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This ASU requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. The term nonfinancial asset includes fixed assets, use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. A not-for-profit entity also is required to disclose contributed nonfinancial assets received disaggregated by category that depicts the type of contributed nonfinancial assets as well as other expanded disclosures. The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the impact the pending adoption of the new standard will have on its consolidated financial statements.

Note 3. Liquidity

As of September 30, 2020 and 2019, the Organization had financial assets available within one year of the consolidated statement of financial position date for general expenditure as follows:

	2020	2019
Cash	$ 1,797,965	$ 824,245
Cash – board designated	2,176,815	1,592,792
Cash – board designated endowment fund	104,045	57,153
Accounts receivable:		
Client fees	263,861	251,697
Document destruction	87,221	67,092
Grants	700,425	765,127
Other	117,827	92,236
Pledges receivable	67,000	84,500
Investments:		
Board designated	1,251,005	1,260,333
Board designated endowment fund	1,456,434	1,384,766
	8,022,598	6,379,941
Less those unavailable for general expenditures within one year, due to:		
Board designations:		
Designated for endowment	(1,560,479)	(1,441,919)
Designated for certain capital expenditures and operating reserves	(3,427,820)	(2,853,125)
Donor restricted:		
Dwight Moody Beeson Fund expenditures	(101,253)	(88,173)
Specific programs	(53,000)	(55,000)
	$ 2,880,046	$ 1,941,724

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, operating revenue generated throughout the year is budgeted to cover general operating expenditures.

Note 4. Fair Value of Financial Instruments

ASC 820, Fair Value Measurement, provides the framework for measuring fair value. The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets to which the Organization has access at 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. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets
- Quoted prices for identical or similar assets in markets that are not active
- Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves)
- Inputs derived principally from, or corroborated by, observable market data by correlation

Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

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.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques noted in the guidance. The three techniques are as follows:

Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach: Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach: Techniques to convert future amounts to a single present amount based on market expectations utilizing present value techniques.

On a recurring basis, the Organization is required to measure its investments and beneficial interest in perpetual trusts at fair value.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used during the years ended September 30, 2020 and 2019.

Common stocks, mutual funds and corporate and U.S. government bonds: Valued at the closing price reported on the active market on which the individual securities are traded.

Note 4. Fair Value of Financial Instruments (Continued)

Limited partnership interest: Valued at the net asset value of shares held by the Organization at year-end. The net asset value is not a publicly-quoted price in an active market.

Beneficial interest in perpetual trusts: The fair value of investments, in which the trusts held by third parties consist of, is the market value based on quoted market prices or the most accurate data in lieu of market data.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of September 30:

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Investments:				
Common stocks	$ 1,434,520	$ -	$ -	$ 1,434,520
Mutual funds:				
Balanced income	26,175	-	-	26,175
Convertible securities	124,228	-	-	124,228
Developing markets	39,239	-	-	39,239
Dividend	41,576	-	-	41,576
Flexible cap	59,105	-	-	59,105
Focused international growth	108,433	-	-	108,433
Growth opportunity	4,774	-	-	4,774
Healthcare opportunity	12,663	-	-	12,663
Mid cap	29,307	-	-	29,307
Multi-asset income	32,389	-	-	32,389
Multi-asset ultrashort income	85,829	-	-	85,829
Preferred securities	118,957	-	-	118,957
Small cap	61,714	-	-	61,714
Target term	22,000	-	-	22,000
Value	44,453	-	-	44,453
Bonds:				
Corporate bonds	-	264,424	-	264,424
U.S. government bonds	-	147,653	-	147,653
Limited partnership interest	-	-	50,000	50,000
Beneficial interest in perpetual trusts	-	-	26,225,228	26,225,228
Total financial assets	$ 2,245,362	$ 412,077	$ 26,275,228	$ 28,932,667

Note 4. Fair Value of Financial Instruments (Continued)

	2019			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Investments:				
Common stocks	$ 1,296,684	$ -	$ -	$ 1,296,684
Mutual funds:				
Balanced income	26,104	-	-	26,104
Convertible securities	134,782	-	-	134,782
Developing markets	36,407	-	-	36,407
Dividend	24,824	-	-	24,824
Flexible cap	51,218	-	-	51,218
Focused international growth	86,588	-	-	86,588
Growth opportunity	23,223	-	-	23,223
Healthcare opportunity	8,730	-	-	8,730
Mid cap	27,089	-	-	27,089
Multi-asset income	51,886	-	-	51,886
Multi-asset ultrashort income	92,241	-	-	92,241
Preferred securities	103,524	-	-	103,524
Small cap	65,795	-	-	65,795
Target term	22,125	-	-	22,125
Value	30,768	-	-	30,768
Bonds:				
Corporate bonds	-	285,404	-	285,404
U.S. government bonds	-	227,707	-	227,707
Limited partnership interest	-	-	50,000	50,000
Beneficial interest in perpetual trusts	-	-	25,591,981	25,591,981
Total financial assets	$ 2,081,988	$ 513,111	$ 25,641,981	$ 28,237,080

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored. Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. There were no transfers between levels during the years ended September 30, 2020 and 2019.

Note 5. Property and Equipment

Property and equipment consist of the following as of September 30:

	2020	2019
Land and improvements	$ 1,837,252	$ 1,837,252
Buildings and improvements	14,963,191	14,676,048
Equipment and furniture	1,899,157	1,801,286
Vehicles	678,791	662,531
Less accumulated depreciation	(7,587,649)	(6,818,568)
	$ 11,790,742	$ 12,158,549

Depreciation expense amounted to $772,531 and $734,894 for the years ended September 30, 2020 and 2019, respectively, and is allocated among program and supporting services on the accompanying consolidated statements of activities.

Note 6. Investments

Investments – board designated consist of the following as of September 30:

	2020	2019
Mutual funds	$ 395,254	$ 373,018
Common stocks	540,853	562,491
Bonds	314,898	324,824
	$ 1,251,005	$ 1,260,333

Investments – board designated endowment fund consist of the following as of September 30:

	2020	2019
Mutual funds	$ 415,588	$ 412,286
Common stocks	893,667	734,193
Bonds	97,179	188,287
Aberdeen Capital Partners, LLC Class A preferred limited partnership interest	50,000	50,000
	$ 1,456,434	$ 1,384,766

As noted in Note 10, it is the Board's intention that these investments provide long-term stability and growth for the Organization and are therefore deemed unavailable, except as otherwise directed, until other funds have first been expended.

During the years ended September 30, 2020 and 2019, the Organization paid investment fees in the amount of $14,204 and $9,907, respectively.

Note 7. Beneficial Interest in Perpetual Trusts

The Organization's beneficial interest in perpetual trusts includes interest in trusts held by third parties through whom the Organization has an irrevocable right to receive at least 5% of the Organization's portion of the fair market value of the trusts annually from the trusts' assets in perpetuity. Although the Organization will never receive its interest in the trusts' principal assets, FASB ASC 958-605, Not-for-Profit Entities: Revenue Recognition, requires that the beneficial interest be recorded. As the donor's intent was for these assets to be held in perpetuity, these interests have been designated as permanently restricted as of September 30, 2020 and 2019. During the years ended September 30, 2020 and 2019, distributions from the trusts and changes in the valuation of the trust assets were recorded in the consolidated statements of activities.

Note 7. Beneficial Interest in Perpetual Trusts (Continued)

Beneficial interest in perpetual trusts consists of the following as of September 30:

	2020		
	Market Value of Trust Assets	Income Beneficiary Percent	Organization's Beneficial Interest
Dwight Moody Beeson Charitable Trust	$ 10,763,742	25.00%	$ 2,690,936
Lucille Beeson Charitable Trust	222,021,631	10.60%	23,534,292
			$ 26,225,228

	2019		
	Market Value of Trust Assets	Income Beneficiary Percent	Organization's Beneficial Interest
Dwight Moody Beeson Charitable Trust	$ 10,473,929	25.00%	$ 2,618,483
Lucille Beeson Charitable Trust	216,731,113	10.60%	22,973,498
			$ 25,591,981

Note 8. Refundable Advance – Paycheck Protection Program

On April 16, 2020, the Organization received loan proceeds in the amount of $1,757,000 under the Paycheck protection program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after 8 to 24 weeks (covered period) as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with deferral of payments to either (1) the date that SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The Organization used the proceeds for purposes consistent with the PPP. The Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, and therefore, has accounted for the loan proceeds as a conditional contribution and recognized as a refundable advance until the conditions for forgiveness has been substantially met or explicitly waived.

Note 9. Capital Lease Obligation

The Organization acquired a truck under a capital lease with a cost of $89,931 and a net book value of $23,553 and $36,401 as of September 30, 2020 and 2019, respectively. The following is a schedule by years of the minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of September 30, 2020:

Years ending September 30:		
2021	$	16,371
2022		15,007
Total minimum lease payments		31,378
Less amount representing interest		(2,273)
Present value of net minimum lease payments		29,105
Less current portion		(14,655)
Capital lease obligation, less current portion	$	14,450

Note 10. Net Assets Without Restrictions Designated by the Board for Endowment Purposes

The Board of Directors (Board) designated the net assets without restrictions of the United Ability Foundation, Inc. (Foundation) as a general endowment fund to conduct or support activities exclusively for the benefit of, to perform the functions of and to carry out the purposes of the Organization. To accomplish its mission, the Foundation provides long-term financial stability to the Organization, including, but not limited to, planned giving, endowment solicitation, gift acceptance and acknowledgement and asset management services for the Foundation’s investments.

The long-term goals of the Foundation’s investment and spending policy are: (1) to protect the assets of the Foundation and strive to maximize the total return to the extent possible without assuming excessive risk, (2) to provide a relatively predictable, stable and inflation adjusted payout stream for endowment spending and operations and (3) to maintain a balance between spending and protecting the real (i.e., inflation adjusted) value of the Foundation’s assets. The Foundation’s investments, to the extent practicable, should support the objectives and mission and may include program related investments when appropriate and consistent with prudent investment risk.

The Foundation’s objective is to achieve an annualized total return that, at a minimum, will grow the assets by the rate of inflation, after having allowed for endowment spending and operating expenses. Investment objectives will be achieved using a total return strategy, where long-term return may come from both market value increases (realized and unrealized capital appreciation) and/or from current yield (interest and dividends). In light of the Foundation’s long-term horizon and limited liquidity needs over and above withdrawal policies, the fund can assume volatility consistent with a long-term investment return objective. The assets allocation and investment agent guidelines are designed to provide a balance that will avoid concentrations in any single asset class, risk level or manager style.

Note 9. Net Assets Without Restrictions Designated by the Board for Endowment Purposes (Continued)

Composition of and changes in Foundation net assets for the years ended September 30, 2020 and 2019, are as follows:

	2020		
	Without Donor Restrictions Designated by the Board	With Donor Restrictions Perpetual Trusts	Total
Endowment net assets, beginning of year	$ 1,441,919	$ 25,591,981	$ 27,033,900
Support and revenue:			
Contributions	50,750	-	50,750
Net gain on investments	105,649	-	105,649
Interest income	36,779	-	36,779
Change in fair value of beneficial interest in perpetual trusts, net of distributions	-	633,247	633,247
	193,178	633,247	826,425
Expenses:			
Supporting services:			
Management and general	54,618	-	54,618
Fund raising	20,000	-	20,000
	74,618	-	74,618
Endowment net assets, end of year	$ 1,560,479	$ 26,225,228	$ 27,785,707

	2019		
	Without Donor Restrictions Designated by the Board	With Donor Restrictions Perpetual Trusts	Total
Endowment net assets, beginning of year	$ 1,435,430	$ 25,137,369	$ 26,572,799
Support and revenue:			
Contributions	25,606	-	25,606
Net loss on investments	(6,887)	-	(6,887)
Interest income	61,993	-	61,993
Change in fair value of beneficial interest in perpetual trusts, net of distributions	-	454,612	454,612
	80,712	454,612	535,324
Expenses:			
Supporting services:			
Management and general	54,223	-	54,223
Fund raising	20,000	-	20,000
	74,223	-	74,223
Endowment net assets, end of year	$ 1,441,919	$ 25,591,981	$ 27,033,900

Note 11. Net Assets Without Donor Restrictions Designated by the Board for Other Purposes, Including Lucille Stewart Beeson Fund

The Board designated all distributions received from the Lucille Beeson Charitable Trust to be used, as approved by the Board, for certain capital expenditures and operating reserves as needed for future operating deficits. As of September 30, 2020 and 2019, the Board designated $3,427,820 and $2,853,125, respectively, of funds for such purposes.

Note 12. Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

	2020	2019
Dwight Moody Beeson Fund expenditures	$ 101,253	$ 88,173
Children's services	53,000	55,000
Beneficial interest in perpetual trusts	26,225,228	25,591,981
	$ 26,379,481	$ 25,735,154

Note 13. Net Assets Released From Donor Restrictions

Net assets during the years ended September 30, 2020 and 2019, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2020	2019
Purpose restrictions accomplished:		
Dwight Moody Beeson Fund expenditures	$ 159,085	$ 48,659

Note 14. Retirement Plan

The Organization contributes to a 403(b) retirement contribution plan. All employees who work at least 20 hours per week are eligible to participate in the plan. Benefits vest over a six-year period. Effective January 1, 2006, the Organization changed the benefits to allow for a three-year gradual phase-in resulting in a strict matching plan. For calendar years 2020 and 2019, the Organization contributed a dollar for dollar match on the first 5% of participant's contributions and 50 cents on the dollar for contributions from 5% to 7%. As of September 30, 2020 and 2019, 88 and 79 employees participated in the plan, respectively. The Organization's total contribution to the plan for the years ended September 30, 2020 and 2019, was $237,985 and $227,271, respectively.

Note 15. Leases

The Organization leases office space and equipment through various operating leases expiring through 2023. Future minimum lease payments as of September 30, 2020, are as follows:

Years ending September 30:		
2021	$	48,242
2022		48,242
2023		45,640
	$	142,124

Rental expense associated with the operating leases was $48,242 for the years ended September 30, 2020 and 2019, and is included in miscellaneous expenses in the accompanying consolidated statements of functional expenses.

Note 16. Risks and Uncertainties

The Organization maintains cash in bank accounts at high credit quality financial institutions. During 2020 and 2019, the Organization had cash on deposit with financial institutions in excess of federal depository insurance limits. The Organization has not experienced and does not anticipate any credit losses on these deposits.

For the years ended September 30, 2020 and 2019, approximately 51% and 48%, respectively, of the Organization’s consolidated revenue was provided by the Federal and the Alabama state governments.

The Organization invests in a professionally managed portfolio that contains a money market fund, common stocks, mutual funds, corporate bond funds and a limited partnership interest. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near-term would materially affect investment balances and amounts reported in the consolidated financial statements.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures of certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the organization operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization.