United Ability, Inc.

Consolidated Financial Statements
For the Years Ended September 30, 2022 and 2021

UNITED ABILITY, INC.

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For the Years Ended September 30, 2022 and 2021

UNITED ABILITY, INC.

Nature of Operations
For the Year Ended September 30, 2022

United Ability, Inc. envisions a world where disability is understood to be a common part of the human experience, neither defining nor limiting. United Ability provides innovative services connecting people with disabilities to their communities and empowering individuals to live full and meaningful lives.

Description of Programs:

- **Early Learning Program**

Children age 6 weeks to five years who have delays in one or more areas of development and those who are typically developing learn side by side in ten spacious classrooms. Designed by educators and developmental specialists to meet the needs of all children, the Hand In Hand facility is situated on seven acres of wood landscape, butterfly gardens, a vegetable and flower garden and nature trails. Each aspect of the building, the program and the environment has been carefully designed to promote a healthy, safe and happy setting in which children can learn and grow. Hours of operation are from 7:00 am to 6:00 pm Monday through Friday.

- **Early Intervention Program**

The Hand In Hand early intervention program offers services and interventions that enable children and families a more independent and integrated lifestyle within their community. It is a comprehensive program for infants and toddlers between the ages of birth to three years with the main location in Birmingham. Over 400 children and families a month reap the benefits of early intervention. Hand In Hand participates in Alabama’s early intervention system and has become one of the largest providers of early intervention services of its type in the state.

- **Adult Day Habilitation**

The adult day program is designed to meet the needs of individuals with developmental disabilities. Each individual has the opportunity to select the training and services they would like to receive. Eligibility criteria require a diagnosis of a developmental disability and the ability for the program to meet the individual’s needs. In addition, each person must demonstrate manageable behavior, reside in the greater Birmingham metropolitan area, and be at least 21 years old.

Other programs include childcare enhancement with a purpose program, supported employment, respite, outpatient therapy programs, health and wellness, UCP enterprises, and first teachers.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Ability, Inc.
Birmingham, Alabama

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of United Ability, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2022 and 2021, and 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.

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of United Ability, Inc. as of September 30, 2022 and 2021, and the changes in its net assets and its consolidated 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 United Ability, Inc. 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 opinions.

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 United Ability, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Ability, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Ability, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2023, 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.

Report on Summarized Comparative Information

We have previously audited United Ability, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Borland Benefield P.C.

Borland Benefield, P.C.
Birmingham, Alabama
March 6, 2023

UNITED ABILITY, INC.

Consolidated Statement of Financial Position
As of September 30, 2022 and 2021

	2022	2021
Assets		
Current Assets		
Cash	$ 2,779,418	$ 2,041,575
Cash - board designated	3,597,797	2,777,416
Cash - board designated endowment fund	81,202	79,604
Accounts receivable		
Client fees (net of allowance of $129,387 and $180,544)	114,075	138,008
Document destruction (net of allowance of $42,612 and $42,557)	140,858	81,699
Grants (net of allowance of $60,000)	870,118	710,372
Other	119,914	98,797
Current portion of pledges receivable (net of allowance of $5,000)	186,695	284,029
Prepaid expenses and other assets	150	2,344
Total Current Assets	7,890,227	6,213,844
Property and equipment, net	11,050,862	11,150,393
Investments:		
Board designated	1,161,187	1,501,893
Board designated endowment fund	1,526,246	1,850,649
Beneficial interest in perpetual trusts	23,658,158	28,930,799
Total Assets	$ 45,286,680	$ 49,647,578
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 348,539	238,477
Accrued payroll and benefits	546,864	560,052
Deferred revenue	11,818	28,129
Current portion of capital lease obligation	-	14,451
Total Current Liabilities	907,221	841,109
Long-term portion of accrued benefits	200,314	268,012
Total Liabilities	1,107,535	1,109,121
Net Assets		
Without donor restrictions:		
Undesignated	13,730,708	13,044,501
Designated by the Board for endowment purposes	1,602,729	1,930,253
Designated by the Board for other purposes, including Lucille Stewart Beeson Fund	4,866,021	4,264,894
	20,199,457	19,239,648
With donor restrictions	23,979,688	29,298,809
Total Net Assets	44,179,145	48,538,457
Total Liabilities and Net Assets	$ 45,286,680	$ 49,647,578

See accompanying notes to consolidated financial statements.

UNITED ABILITY, INC.

Consolidated Statement of Activities
For the Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Federal contracts and awards	$ 7,911,382	$ -	$ 7,911,382
Client fees	1,723,748	-	1,723,748
United Way funding	652,007	-	652,007
Sales - document destruction	1,129,518	-	1,129,518
Distributions from beneficial interest in perpetual trusts	1,228,753	143,707	1,372,461
Contributions	499,298	334,604	833,902
Special events	428,665	-	428,665
Recycling income	274,251	-	274,251
Investment income, net	(568,183)	-	(568,183)
Miscellaneous	94,589	-	94,589
Contribution of nonfinancial assets	21,964	-	21,964
Change in fair value of beneficial interest in perpetual trusts	-	(5,272,641)	(5,272,641)
Net assets released from restriction	524,791	(524,791)	-
Total Support and Revenue	13,920,782	(5,319,121)	8,601,661
Expenses			
Program Services			
Children's services	7,104,215	-	7,104,215
Adult services	4,408,918	-	4,408,918
Supporting services:			
Management and general	951,242	-	951,242
Fundraising	496,598	-	496,598
Total Expenses	12,960,973	-	12,960,973
Change in Net Assets	959,809	(5,319,121)	(4,359,312)
Net Assets, Beginning of Year	19,239,648	29,298,809	48,538,457
Net Assets, End of Year	$ 20,199,457	$ 23,979,688	$ 44,179,145

See accompanying notes to consolidated financial statements.

UNITED ABILITY, INC.

Consolidated Statement of Activities
For the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Federal contracts and awards	$ 8,194,867	$ -	$ 8,194,867
Client fees	1,868,057	-	1,868,057
United Way funding	680,644	-	680,644
Sales - document destruction	1,018,619	-	1,018,619
Distributions from beneficial interest in perpetual trusts	1,047,951	119,451	1,167,402
Contributions	426,896	340,000	766,896
Special events	489,438	-	489,438
Recycling income	148,435	-	148,435
Investment income, net	621,960	-	621,960
Miscellaneous	62,240	-	62,240
Contribution of nonfinancial assets	26,370	-	26,370
Change in fair value of beneficial interest in perpetual trusts	-	2,705,571	2,705,571
Net assets released from restriction	245,693	(245,693)	-
Total Support and Revenue	14,831,171	2,919,328	17,750,499
Expenses			
Program Services			
Children's services	7,335,787	-	7,335,787
Adult services	4,162,918	-	4,162,918
Supporting services:			
Management and general	146,362	-	146,362
Fundraising	536,898	-	536,898
Total Expenses	12,181,965	-	12,181,965
Change in Net Assets	2,649,206	2,919,328	5,568,534
Net Assets, Beginning of Year	16,590,442	26,379,481	42,969,923
Net Assets, End of Year	$ 19,239,648	$ 29,298,809	$ 48,538,457

See accompanying notes to consolidated financial statements.

UNITED ABILITY, INC.

Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2022

	Program Services		Supporting Services		
	Children's Services	Adult Services	Management and General	Fundraising	Total
Payroll and Related Costs					
Salaries	$ 4,570,925	$ 2,589,892	$ 685,906	$ 277,463	$ 8,124,187
Bad debt recovery	(15,372)	510	-	-	(14,861)
Contract services	296,686	177,791	15,853	7,621	497,951
Depreciation	318,392	399,074	5,430	-	722,895
Dues and subscriptions	12,950	6,800	1,295	1,413	22,457
Food, net of reimbursement	69,619	-	-	-	69,619
Insurance - employees	434,507	276,562	18,172	21,844	751,085
Insurance - general	96,281	55,137	11,849	6,750	170,017
Interest	-	553	-	-	553
Janitorial supplies	16,955	19,416	5,495	-	41,866
Legal and accounting	35,917	97,561	4,053	2,137	139,667
Maintenance	172,128	145,031	42,798	33	359,990
Medical supplies	42,578	12,571	44	25	55,218
Miscellaneous	92,300	75,163	55,862	17,585	240,910
Office supplies	44,071	25,767	2,906	7,793	80,537
Payroll taxes	327,165	183,966	46,785	20,634	578,550
Postage	5,041	2,824	2,617	2,135	12,617
Program supplies	92,015	81,995	15,329	7,793	197,132
Public awareness	265	3,035	-	11,490	14,789
Retirement	122,569	52,662	14,300	6,418	195,949
Special events costs	-	-	-	89,328	89,328
Staff development	53,964	25,405	3,080	2,829	85,277
Staff travel	136,824	38,558	605	88	176,075
Telephone	40,307	22,870	1,692	3,437	68,306
Transportation	-	34,504	-	-	34,504
U.C.P.A., Inc. dues	2,804	1,650	348	199	5,000
Utilities	135,326	79,622	16,823	9,582	241,353
Total Functional Expenses	$ 7,104,215	$ 4,408,918	$ 951,242	$ 496,598	$ 12,960,973

See accompanying notes to consolidated financial statements.

UNITED ABILITY, INC.

Consolidated Statement of Functional Expenses
For the Year Ended September 30, 2021

	Program Services		Supporting Services		
	Children's Services	Adult Services	Management and General	Fundraising	Total
Payroll and Related Costs					
Salaries	$ 4,812,195	$ 2,593,917	$ 63,039	$ 304,432	$ 7,773,583
Bad debt recovery	(18,943)	2,076	-	1,500	(15,367)
Contract services	286,695	135,415	4,721	8,660	435,491
Depreciation	341,762	408,352	7,284	-	757,398
Dues and subscriptions	11,173	5,134	74	4,386	20,767
Food, net of reimbursement	58,485	-	-	-	58,485
Insurance - employees	388,895	242,453	3,240	24,352	658,940
Insurance - general	90,730	47,149	1,492	6,597	145,968
Interest	-	1,714	-	-	1,714
Janitorial supplies	11,702	10,324	4,002	-	26,028
Legal and accounting	36,517	19,185	3,608	2,684	61,994
Maintenance	139,942	132,130	27,026	2,700	301,798
Medical supplies	232,438	24,806	4	22	257,270
Miscellaneous	105,881	82,870	22,411	13,045	224,207
Office supplies	46,969	25,248	233	10,494	82,944
Payroll taxes	290,920	162,349	3,960	20,922	478,151
Postage	6,171	2,903	92	1,495	10,661
Program supplies	78,276	21,371	-	2	99,649
Public awareness	12	2,889	-	10,147	13,048
Retirement	159,262	56,010	2,361	10,381	228,014
Special events costs	-	-	-	100,524	100,524
Staff development	27,507	16,296	222	1,276	45,301
Staff travel	51,485	27,884	38	57	79,464
Telephone	38,697	22,840	242	3,003	64,782
Transportation	-	46,569	-	-	46,569
U.C.P.A., Inc. dues	3,095	1,626	51	228	5,000
Utilities	135,921	71,408	2,262	9,991	219,582
Total Functional Expenses	$ 7,335,787	$ 4,162,918	$ 146,362	$ 536,898	$ 12,181,965

See accompanying notes to the consolidated financial statements.

UNITED ABILITY, INC.

Consolidated Statement of Cash Flows
For the Years Ended September 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ (4,359,312)	$ 5,568,534
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Bad debt (recovery) expenses	(14,861)	(15,367)
Depreciation	722,895	757,398
Interest and dividends reinvested	-	-
Net (gain)/loss on investments	537,845	(570,132)
Change in fair value of beneficial interest in perpetual trusts	5,272,641	(2,705,571)
Forgiveness of refundable advance - Paycheck Protection Program	-	(1,757,000)
Changes in assets and liabilities:		
Accounts receivable	(216,089)	140,458
Pledges receivable	97,334	(217,029)
Prepaid expenses and other assets	2,194	(1,224)
Accounts payable	110,063	(116,025)
Accrued payroll and benefits	(80,886)	(66,743)
Deferred revenue	(16,311)	(5,623)
Net Cash Flows Provided by Operating Activities	2,055,513	1,011,676
Cash Flows From Investing Activities		
Payments for property and equipment	(465,116)	(122,552)
Purchases of investments	(3,701,025)	(954,842)
Proceeds from sale of investments	3,684,900	900,142
Net Cash Flows (Used) by Investing Activities	(481,241)	(177,252)
Cash Flows From Financing Activities		
Payments on capital lease obligations	(14,451)	(14,654)
Net Cash Flows (Used) by Financing Activities	(14,451)	(14,654)
Net Change in Cash and Cash Equivalents	1,559,821	819,770
Cash and Cash Equivalents, Beginning of Year	4,898,596	4,078,825
Cash and Cash Equivalents, End of Year	$ 6,458,417	$ 4,898,595
Supplemental Cash Flows Information		
Cash paid for interest	$ 553	$ 1,714

See accompanying 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 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 year ended September 30, 2022 and 2021, 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 consolidated 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 consolidated 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

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. All other net assets, including Board designated, are legally unrestricted, and are reported as part of the net asset without donor restrictions 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 $6,458,417 and $4,898,595 in cash equivalents at September 30, 2022 and 2021, of which, $3,678,999 and $2,857,020 were restricted by the board for various purposes. See Note 9.

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.

Contributions of nonfinancial assets - Contributions of donated materials, facilities, and services are recognized at fair value in the period received. The amounts reflected in the accompanying statement of revenue as contributions of nonfinancial assets are offset by like amounts in the consolidated statement of functional expenses. The Organization recognized in-kind revenue and related expenses for donated materials in the amount of $21,964 and $26,370 for the years ended September 30, 2022 and 2021, respectively. See Note 14.

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 net assets with donor restrictions to net assets without donor restrictions 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 FASS 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, 2022 or 2021.

Investments - In accordance with FASS 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, 2022 and 2021, 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, 2022 and 2021, the liability was $71,000 and is included in accounts payable 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.

Note 2 - Significant Accounting Policies (continued)

Recent accounting pronouncements - In February 2016, the FASS 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, 2021.

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 adopted this ASU during the year ended September 30, 2021 and is reflected in the accompanying financial statements. As a result, there was no cumulative effect of the change on the change in net assets, unrestricted net assets, or total assets as of October 1, 2020. In addition, the change had no effect on the change in net assets, unrestricted net assets, or total assets as of September 30, 2022.

Note 3 – Pledges Receivable

Pledges receivable at September 30 consist of the following:

	2022	2021
Unconditional promises to give	$ 191,695	$ 289,029
Less allowance for uncollectible accounts	(5,000)	(5,000)
Net unconditional promises to give	$ 186,695	$ 284,029

The expected collection of pledges receivable at September 30 is as follows:

	2022	2021
Less than one year	$ 191,695	$ 139,029
One to five years	-	150,000
Total unconditional promises to give	$ 191,695	$ 289,029
Less discounts to net present value	(5,000)	(5,000)
Net unconditional promises to give	$ 186,695	$ 284,029

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:

<u>Market approach</u> - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

<u>Cost approach</u> - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

<u>Income approach</u> - 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, 2022 and 2021.

Note 4 - Fair Value of Financial Instruments (continued)

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.

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, 2022:

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments:				
Common stocks	$ 1,904,386	$ -	$ -	$ 1,904,386
Mutual funds:				
Dividend	9,720	-	-	9,720
Focused international growth	8,029	-	-	8,029
Growth opportunity	3,466	-	-	3,466
Healthcare opportunity	3,624	-	-	3,624
Mid cap	10,013	-	-	10,013
Multi-asset income	15,690	-	-	15,690
Multi-asset ultrashort income	4,926	-	-	4,926
Opportunities income	1,323	-	-	1,323
Value	2,672	-	-	2,672
Bonds:				
Corporate bonds	-	382,669	-	382,669
Beneficial interest in perpetual trusts	-	-	23,658,158	23,658,158
Total Assets at Fair Value	$ 1,963,849	$ 382,669	$ 23,658,158	$ 26,004,676
Investments at net asset value				
Private investment funds	50,000			
Alternative real estate funds	290,915			
Total Investments at estimated Fair Value	$ 26,345,591			

Note 4 - Fair Value of Financial Instruments (continued)

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 year ended September 30, 2022.

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 investment assets for the year ended September 30, 2022:

	Level 3 Assets
Beginning balance - October 1, 2021	$ 28,930,799
Purchases	-
Sales	-
Distributions	(1,372,461)
Unrealized gains for instruments held at the reporting date	(3,900,180)
Ending balance - September 30, 2022	$ 23,658,158

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Note 4 - Fair Value of Financial Instruments (continued)

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, 2021:

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Investments:				
Common stocks	$ 1,766,963	$ -	$ -	$ 1,766,963
Mutual funds:				
Balanced income	29,113	-	-	29,113
Convertible securities	137,158	-	-	137,158
Developing markets	45,041	-	-	45,041
Diversified income	48,050	-	-	48,050
Dividend	54,909	-	-	54,909
Flexible cap	82,681	-	-	82,681
Focused international growth	128,138	-	-	128,138
Growth opportunity	11,290	-	-	11,290
Healthcare opportunity	12,663	-	-	12,663
Mid cap	50,795	-	-	50,795
Multi-asset income	33,985	-	-	33,985
Multi-asset ultrashort income	41,185	-	-	41,185
Opportunities income	20,050	-	-	20,050
Preferred securities	126,041	-	-	126,041
Small cap	132,136	-	-	132,136
Target term	36,155	-	-	36,155
Value	58,033	-	-	58,033
Bonds:				
Corporate bonds	-	351,718	-	351,718
U.S. government bonds	-	136,438	-	136,438
Beneficial interest in perpetual trusts	-	-	28,930,799	28,930,799
Total Assets at Fair Value	$ 2,814,386	$ 488,156	$ 28,930,799	$ 32,233,341
Investments at net asset value				
Private investment funds	50,000			
Total Investments at estimated Fair Value	$ 32,283,341			

Note 4 - Fair Value of Financial Instruments (continued)

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 investment assets for the year ended September 30, 2021:

	Level 3 Assets
Beginning balance - October 1, 2020	$ 26,225,228
Purchases	-
Sales	-
Distributions	(1,167,402)
Unrealized gains for instruments held at the reporting date	3,872,973
Ending balance - September 30, 2021	$ 28,930,799

Note 5 - Property and Equipment

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

	2022	2021
Land and improvements	$ 1,837,252	$ 1,837,252
Buildings and improvements	15,466,450	15,061,162
Equipment and furniture	1,986,968	1,923,739
Vehicles	810,225	656,774
Less: Accumulated depreciation	(9,050,033)	(8,328,534)
	$ 11,050,862	$ 11,150,393

Depreciation expense amounted to $722,895 and $757,398 for the years ended September 30, 2022 and 2021 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:

	2022	2021
Mutual funds	$ -	$ 498,219
Common stocks	783,315	617,247
Bonds	237,276	386,427
Alternative real estate funds	140,596	-
	$ 1,161,187	$ 1,501,893

Note 6 – Investments (continued)

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

	2022	2021
Mutual funds	$ 59,464	$ 560,232
Common stocks	1,121,071	1,138,688
Bonds	145,392	101,729
Alternative real estate funds	150,319	-
Aberdeen Capital Partners, LLC Class A preferred limited partnership interest	50,000	50,000
	$ 1,526,246	$ 1,850,649

As noted in Note 9, 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.

Investment income was composed of the following at September 30:

	2022	2021
Interest and dividends	$ 136,729	$ 83,493
Realized gain	3,500	3,500
Unrealized gain on marketable securities	(657,515)	581,504
Less: Investment expenses	(50,897)	(46,537)
Total	$ (568,183)	$ 621,960

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 net asset with donor restrictions as of September 30, 2022 and 2021. During the years ended September 30, 2022 and 2021, distributions from the trusts and changes in the valuation of the trust assets were recorded in the consolidated statements of activities.

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Note 7 - Beneficial Interest in Perpetual Trusts (continued)

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

	2022		
	Market Value of Trust Assets	Income Beneficiary Percent	Organization's Beneficial Interest
Dwight Moody Beeson Charitable Trust	$ 9,649,539	25.00%	$ 2,412,385
Lucille Beeson Charitable Trust	200,431,824	10.60%	21,245,773
			$ 23,658,158

	2021		
	Market Value of Trust Assets	Income Beneficiary Percent	Organization's Beneficial Interest
Dwight Moody Beeson Charitable Trust	$ 11,843,596	25.00%	$ 2,960,899
Lucille Beeson Charitable Trust	244,999,057	10.60%	25,969,900
			$ 28,930,799

Note 8 - Net Assets Without Restrictions Designated by the Board for Endowment Purposes

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 8 - 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, 2022, are as follows:

	Without Donor Restrictions Designated by the Board	With Donor Restrictions Perpetual Trusts	Total
Endowment net assets, beginning of year	$ 1,930,253	$ 28,930,799	$ 30,861,052
Support and revenue:			
Contributions	$ 107,372	$ -	$ 107,372
Net loss on investments	(382,756)	-	(382,756)
Interest income	73,161	-	73,161
Change in fair value of beneficial interest in perpetual trusts, net of distributions	-	(5,272,641)	(5,272,641)
	(202,223)	(5,272,641)	(5,474,864)
Expenses:			
Supporting services:			
Management and general	105,301	-	105,301
Fundraising	20,000	-	20,000
	125,301	-	125,301
Endowment net assets, end of year	$ 1,602,729	$ 23,658,158	$ 25,260,887

[*Remainder of page intentionally left blank.*]

Note 8 - 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, 2021, are as follows:

	Without Donor Restrictions Designated by the Board	With Donor Restrictions Perpetual Trusts	Total
Endowment net assets, beginning of year	$ 1,560,479	$ 26,225,228	$ 27,785,707
Support and revenue:			
Contributions	11,380	-	11,380
Net gain on investments	400,315	-	400,315
Interest income	37,927	-	37,927
Change in fair value of beneficial interest in perpetual trusts, net of distributions	-	2,705,571	2,705,571
	449,622	2,705,571	3,155,193
Expenses:			
Supporting services:			
Management and general	59,848	-	59,848
Fundraising	20,000	-	20,000
	79,848	-	79,848
Endowment net assets, end of year	$ 1,930,253	$ 28,930,799	$ 30,861,052

Note 9 - 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, 2022 and 2021, the Board designated $4,866,021 and $4,264,894, respectively, of funds for such purposes.

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

	2022	2021
Dwight Moody Benson Fund expenditures	$ 239,560	$ 143,010
Children's services	81,970	225,000
Beneficial interest in perpetual trusts	23,658,158	28,930,799
	$ 23,979,688	$ 29,298,809

Note 10- Net Assets Released From Donor Restrictions

Net assets during the years ended September 30, 2021 and 2020, were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2022	2021
Purpose restrictions accomplished:		
Restricted pledge payments	$ 258,030	$ 115,000
Dwight Moody Beeson Fund expenditures	266,761	130,693
Total net assets released from restriction	$ 524,791	$ 245,693

Note 11 - 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 the calendar years 2022 and 2021, 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, 2022 and 2021, 81 and 83 employees participated in the plan, respectively. The Organization's total contribution to the plan for the years ended September 30, 2022 and 2021, was $195,949 and $228,014, respectively.

Note 12 - Leases

The Organization leases office space and equipment through various operating leases expiring through 2023. Future minimum lease payments as of September 30, 2022, are as follows:

Years ending September 30:

2023	$ 45,640
	$ 45,640

Rental expense associated with the operating leases was $48,242 for the years ended September 30, 2022 and 2021, and is included in miscellaneous expenses in the accompanying consolidated statements of functional expenses.

Note 13 – Contributions of Nonfinancial Assets

The Organization received contribution of three vans with the fair value of $153,451 for the year ended September 30, 2022. The Organization’s policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Organization.

Note 14 - Risks and Uncertainties

The Organization maintains cash in bank accounts at high credit quality financial institutions. During 2022 and 2021, 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.

Note 14 - Risks and Uncertainties (continued)

For the years ended September 30, 2022 and 2021, approximately 55% and 57% 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.

Note 15 - Liquidity

As of September 30, 2022 and 2021, the Organization had financial assets available within one year of the consolidated statement of financial position date for general expenditure as follows:

	2022	2021
Cash	$ 2,779,418	$ 2,041,575
Accounts receivable:		
Client fees	114,075	138,008
Document destruction	140,858	81,699
Grants	870,118	710,372
Other	119,914	98,797
Pledges receivable	186,695	284,029
Investments:		
Board designated	1,161,187	1,501,893
Board designated endowment fund	1,526,246	1,850,649
	$ 6,898,511	$ 6,707,022
Less those unavailable for general expenditures within one year		
Donor restricted		
Dwight Moody Beeson Fund expenditures	$ (239,560)	$ (143,010)
Specific programs	(81,970)	(340,000)
	$ 6,576,981	$ 6,224,012

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 16 - Subsequent events

Subsequent events have been evaluated through March 6, 2023, which is the date the consolidated financial statements were available for issuance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
United Ability, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited United Ability, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of United Ability, Inc.'s major federal programs for the year ended September 30, 2022. United Ability, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, United Ability, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the United Ability, Inc.'s and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the United Ability, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to the United Ability, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the United Ability Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the United Ability, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 United Ability, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the United Ability, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the United Ability, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Borland Benefield P.C.

Borland Benefield, P.C.
Birmingham, Alabama
March 6, 2023

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

To the Board of Directors of
United Ability, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Ability, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 6, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered United Ability, Inc's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Ability, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Ability, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Borland Benefield P.C.

Borland Benefield, P.C.
Birmingham, Alabama
March 6, 2023

UNITED ABILITY, INC.

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2022

Federal Grantor/Pass-Through Grantor/Program or Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Education			
Pass - Through Alabama Department of Rehabilitation Services:			
Supported Employment Services for Individuals with the Most Significant Disabilities			
Supported Employment	84.187	-	$ 438,162
School Based Training Payment System	84.187	-	943,442
Summer Work Payment System	84.187	-	148,850
Project Search Payment System - Birmingham	87.187	-	57,647
Project Search Payment System - Hoover	87.187	-	23,163
Special Education - Preschool Grants			
Individuals with Disabilities Education Act, Chapter 1	84.173	-	94,648
Pass - Through Alabama Department of Education:			
Governor's Emergency Education Relief Fund	84.425		15,215
Pass - Through Alabama Department of Mental Health:			
Special Education Grants for Infants and Families with Disabilities			
Early Intervention	84.181	G20-424272	308,005
Total Department of Education			2,029,132
Department of Health and Human Services			
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program			
First Teachers Home Visiting Grant	93.505	-	292,516
APR Funds	93.870		5,195
Pass - Through Alabama Department of Human Resources:			
Childcare Enhancement with a Purpose	93.596	-	146,663
Pass - Through Alabama Department of Mental Health:			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	-	34,303
Community Waiver Program	93.959	-	244,172
Total Department of Health & Human Services			722,849
Department of Agriculture			
Child and Adult Care Food Program	10.558	-	35,343
Total Department of Agriculture			35,343
U.S. Department of Transportation			
Capital assistance for Elderly and Persons with Disabilities - *Pass - Through Regional Planning Commission of Greater Birmingham*	20.513		153,451
Total U.S. Department of Transportation			153,451
Total Expenditures of Federal Awards			$ 2,940,775

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of United Ability, Inc. (the Organization) under programs of the federal government for the year ended September 30, 2022. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Agency, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Agency.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. There are no sub-recipient expenditures.

Note C - Indirect Cost Rate

United Ability, Inc. uses the indirect cost rate as allowed by each contract, if stated. Otherwise, the Organization has elected to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

UNITED ABILITY, INC.

Schedule of Findings, Questioned Costs and Prior Findings
For the Year Ended September 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	X no
Noncompliance material to financial statements noted?	____ yes	X no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	____ yes	X no
Significant deficiencies identified that are not considered to be material weaknesses?	____ yes	X no
Type of auditor's report issued on compliance for major programs:	unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)	____ yes	X no

Identification of major programs:
Department of Education
CFDA# 84.187 - Supported Employment Services for Individuals with the Most Significant Disabilities - Milestones & School Based Training Payment System

CFDA# 84.181 - Special Education Grants for Infants and Families with Disabilities - Early Intervention

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X yes	____ no

Section II - Financial Statement Findings
None Reported

Section III - Federal Award Findings and Questioned Costs
None Reported

Prior Audit Findings
None Reported

REPORT ON COMPLIANCE WITH DEPARTMENT OF MENTAL HEALTH CONTRACT

To the Board of Directors
United Ability, Inc.

We have audited the contract/grant/agreement number G20-424272, between the Alabama Department of Mental Health (DMH) and United Ability, Inc. (the Agency) as of and for the year ended September 30, 2022.

Compliance with the DMH contract/grant/agreement, Provider Agreement and all applicable laws, rules and regulations applicable to the Agency, is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the contract/grant/agreement, and all applicable laws, rules and regulations are complied with, we performed certain tests of transactions and made other determinations as outlined in each requirement of Section 12, Audit for Compliance with the Contract of the DMH Audit Guidelines. Revenues and expenditures were analyzed to determine if they were in compliance with applicable terms and conditions of the contract/grant/agreement. Funds claimed as match for federal programs were audited to determine if they were allowable and adequate to match the federal funds received.

The results of our tests disclosed no material instances of noncompliance with the DMH contract/grant/agreement, and all applicable laws and regulations.

This report is intended for the information of the Board of Directors, management and DMH. However, this report is a matter of public record and its distribution is not limited.

Borland Benefield P.C.

Borland Benefield, P.C.

UNITED ABILITY, INC.

Officers and Board Members
Year Ended September 30, 2022

Supplementary Schedule Required by The Alabama Department of Mental Health

Name	Official Title
Brian Bateh	Member
Heather Baty	Member
Allen Bolton	Immediate Past Chairman
Carolyn Campbell	Member
Sonia Carrington	Member
Neil Caudle	Member
Robert C. Chapman	Foundation Board President
Mark P. Cohen, MD	Board Member Emeritus
Larry Goldberg	Member
Trey Hamer	Member
William King, III	Board Chair
Mike Koslin, DMD	Member
Tina Lewis	Member
Chad McCowan	Treasurer
Anthony Morlandt, MD, DDS	Member
Robert M. Moss	Member
Margaret Ann Pyburn	Secretary
Gary Smith	Member
Scott Smith	Member
Kanti Sunkavalli, MD	Member
Lisa Warren	Member
Tricia Wells	Member
Thomas I. Wilder, Jr.	Member
Anne Yuengert	Executive Vice-Chair

UNITED ABILITY, INC.

Subcontractor Officers and Board Members
Year Ended September 30, 2022

Supplementary Schedule Required by The Alabama Department of Mental Health

United Ability, Inc. did not have any subcontractors who received $25,000 or more during the year.