

HELPING RESTORE ABILITY

Arlington, Texas

Financial Statements

Years Ended August 31, 2017 and 2016

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INDEPENDENT AUDITORS' REPORT

To the Finance Committee
Helping Restore Ability

We have audited the accompanying financial statements of Helping Restore Ability (the "Organization"), a Texas nonprofit corporation, which comprise the statements of financial position as of August 31, 2017 and 2016 and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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. Those standards require that we plan and perform the audits 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 auditors' 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 auditors consider internal control relevant to the Organization'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 Organization'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 Helping Restore Ability as of August 31, 2017 and 2016, 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.

PSK LLP

Arlington, Texas
November 30, 2017

HELPING RESTORE ABILITY

Statements of Financial Position

August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 493,251	\$ 34,990
Accounts receivable, net	1,605,710	1,716,782
Prepaid expenses	<u>64,012</u>	<u>36,604</u>
Total current assets	<u>2,162,973</u>	<u>1,788,376</u>
Physical Properties		
Furniture, fixtures and equipment	201,508	201,508
Less: accumulated depreciation	<u>(158,110)</u>	<u>(130,067)</u>
Total physical properties	<u>43,398</u>	<u>71,441</u>
Deposit	<u>8,187</u>	<u>8,187</u>
Total Assets	<u>\$ 2,214,558</u>	<u>\$ 1,868,004</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,009	\$ 28,116
Payroll related payables	1,485,228	968,538
Accrued expenses	50,871	94,423
Line of credit	-	43,000
Current portion of note payable	100,907	98,214
Capital lease obligation	<u>-</u>	<u>14,041</u>
Total current liabilities	1,640,015	1,246,332
Long-term Liabilities		
Note payable, net of current portion	<u>186,449</u>	<u>286,004</u>
Total liabilities	1,826,464	1,532,336
Net Assets		
Unrestricted	<u>388,094</u>	<u>335,668</u>
Total Liabilities and Net Assets	<u>\$ 2,214,558</u>	<u>\$ 1,868,004</u>

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

HELPING RESTORE ABILITY
 Statements of Activities
 Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenues, Gains, and other Support		
Service revenues		
Texas Department of Aging and Disability Services Programs:		
Consumer Directed Services (CDS)	\$ 14,229,444	\$ 15,246,788
Primary Home Care Program (PHC)	151,582	144,924
Client Managed Personal Attendant Services (CMPAS)	43,670	362,154
Mental Health Mental Retardation Program (MHMR)	3,951	4,014
Program fees	24,868	35,969
Star+Plus Managed Care Program	8,857,007	5,435,725
Other programs	31,763	79,654
Billing adjustments	<u>(250,019)</u>	<u>55,753</u>
Total service revenues	23,092,266	21,364,981
Contributions	528,992	499,321
Miscellaneous revenues	6,407	5,957
Interest and dividend income	4	445
Net realized and unrealized loss on investments	<u>-</u>	<u>(1,568)</u>
Total revenues, gains, and other support	<u>23,627,669</u>	<u>21,869,136</u>
Expenses:		
Program expenses		
Attendant payroll	20,825,737	19,503,473
Other costs of services	<u>1,746,544</u>	<u>1,319,239</u>
Total program expenses	<u>22,572,281</u>	<u>20,822,712</u>
Supporting services		
General and administrative	870,016	883,187
Fundraising	<u>132,946</u>	<u>177,749</u>
Total supporting services	<u>1,002,962</u>	<u>1,060,936</u>
Total expenses	<u>23,575,243</u>	<u>21,883,648</u>
Change in Net Assets	52,426	(14,512)
Net Assets at Beginning of the Year	<u>335,668</u>	<u>350,180</u>
Net Assets at End of the Year	<u>\$ 388,094</u>	<u>\$ 335,668</u>

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

HELPING RESTORE ABILITY
 Statements of Cash Flows
 Years Ended August 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 52,426	\$ (14,512)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	28,043	30,358
Net realized and unrealized loss on investments	-	1,568
(Increase) decrease in assets:		
Accounts receivable	111,072	(326,932)
Prepaid expenses	(27,408)	(1,315)
Increase (decrease) in liabilities:		
Accounts payable	(25,107)	(15,106)
Payroll related payables	516,690	81,168
Accrued expenses	(43,552)	38,324
	<u>612,164</u>	<u>(206,447)</u>
Net cash and cash equivalents provided by (used in) operating activities		
Cash Flows From Investing Activities:		
Proceeds from sale of investments	-	88,314
	<u>-</u>	<u>88,314</u>
Cash Flows From Financing Activities:		
Borrowings on line of credit	468,000	892,000
Payments on line of credit	(511,000)	(849,000)
Borrowings on note payable	-	406,787
Payments on note payable	(96,862)	(541,950)
Payments on capital lease obligation	(14,041)	(15,910)
	<u>(153,903)</u>	<u>(108,073)</u>
Net cash and cash equivalents used in financing activities		
Change in Cash and Cash Equivalents	458,261	(226,206)
Cash and Cash Equivalents at Beginning of the Year	<u>34,990</u>	<u>261,196</u>
Cash and Cash Equivalents at End of the Year	<u>\$ 493,251</u>	<u>\$ 34,990</u>
Supplemental Disclosures:		
Cash paid during the year for interest	<u>\$ 20,328</u>	<u>\$ 29,396</u>

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

HELPING RESTORE ABILITY

Notes to Financial Statements

1 - Historical Background

Helping Restore Ability (the “Organization”), founded in 1977, is incorporated in the state of Texas as a nonprofit organization. The Organization's function is to provide services to people with disabilities, enabling them to participate fully in society and lead independent and active lives. The Organization primarily serves clients in Tarrant, Dallas and surrounding counties, but also throughout the state of Texas.

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code as other than a private foundation.

2 - Significant Accounting Policies

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when the obligation is incurred. The financial statements have been prepared using accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis of Presentation - As required by the Not-for-Profit Entities Classification of Net Assets topic of the Financial Accounting Standards Board *Accounting Standards Codification* (“FASB ASC”), the Organization reports 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.

Revenue Recognition - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Programs - The Organization pursues its objectives through the execution of the following major programs:

Client Managed Personal Attendant Services (CMPAS) - Personal care assistance is provided to adults with various disabilities in the eleven county Dallas/Fort Worth metroplex area. Clients are referred through the Texas Department of Aging and Disability Services (“DADS”) and are assisted with non-medical personal care, such as bathing, dressing and feeding, and homemaker tasks, such as laundry, light housekeeping, and grocery shopping. The Organization terminated its CMPAS contract during the year ended August 31, 2017.

Consumer Directed Services (CDS) - Trained attendants provide the care and support systems necessary for disabled individuals to live independently and function productively in mainstream society. This program empowers consumers to make personal decisions related to the delivery of Personal Assistance Services and Respite Services within their homes and is offered throughout the entire state of Texas.

Primary Home Care Program (PHC) - This program offers three types of services, including Community Attendant Services, which provides an in-home attendant for adults with a medical need for specific tasks, Primary Home Care Program, which is prescribed by a physician as part of a client’s plan of care, or Family Care, which provides services for eligible adults who are functionally limited in performing daily activities.

Mental Health Mental Retardation (MHMR) - This program provides services to individuals with intellectual developmental disabilities or autism living in their own homes or family homes through contracts with local MHMR Centers. Services available include nursing care or community support.

HELPING RESTORE ABILITY

Notes to Financial Statements

2 - Significant Accounting Policies (continued)

Star+Plus Managed Care Program - This managed care program provides medical care and service coordination for those on Medicaid who need long term comprehensive services and supports, directed by their Primary Care Physician. Contracted providers include Amerigroup, Cigna Healthspring, Molina, United Healthcare, and Superior health plans.

Texas Department of Assisted and Rehabilitative Services (TWC) - This program provides in-home support to people with any type of disability referred through the Department of Assistive and Rehabilitative Services throughout the Dallas/Fort Worth Metroplex area.

Home Health Services - This program may include, at the direction of one's doctor, skilled nursing care provided by qualified Registered Nurses, Physical, Occupational and Speech Therapy provided by qualified therapists, Medical Social Services to help patients and their families with the patient's recovery, or Home Health Aide Services, to assist with the patient's personal care and activities of daily living.

Private Pay Services - Regardless of eligibility for state or federally funded services, the Organization may provide in-home nonmedical attendant care throughout the eleven county Dallas/Fort Worth metroplex area through the Private Pay option, wherein services are paid for by the individual requesting them.

Area Agency on Aging of Tarrant County Services (AAA) - This program provides in-home support to help people age 60 or older with disabilities live independently in their communities through provision of personal attendant care. Referrals are received through the Area Agency on Aging of Tarrant County.

Easter Seals Program - This program provides in-home respite care and support to help people with disabilities live independently in their communities through provision of personal attendant care. Referrals are received through Easter Seals.

Functional Allocation of Expenses - The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

Use of Estimates - Management used estimates and assumptions in preparing these financial statements in accordance with U.S. GAAP. Those estimates and assumptions affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Revenues and Support - Revenues and support for the Organization are primarily derived from program service fees related to government contracts. Contract amounts are subject to state funding and the use of the various programs within the state of Texas. Certain revenues provided under the contracts are subject to audit by the particular providing agency. Any refunds due these agencies as a result of retroactive audit adjustments are recognized in the year they are uncovered, as reductions of the related revenue.

Donated Services - Donated services are recognized as contributions if the services a) create or enhance non-financial assets, or b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the years ended August 31, 2017 and 2016, the Organization recognized approximately \$6,510 and \$17,430 in noncash contributions. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements, as the aforementioned recognition criteria were not met.

HELPING RESTORE ABILITY
Notes to Financial Statements

2 - Significant Accounting Policies (continued)

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Cash and Cash Equivalents - For purposes of the financial statements, the Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable primarily relate to program service fees due on government contracts. Uncollectible receivables are charged against an allowance for doubtful accounts when deemed uncollectible. At August 31, 2017 and 2016, the allowance for doubtful accounts was \$41,507 and \$35,000, respectively.

Investments - As required by the Not-for-Profit Entities Investments of Debt and Equity Securities topic of the FASB ASC, investments in marketable equity securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

Physical Properties - Property and equipment are recorded at cost, if purchased, and fair market value at date of donation, if contributed. Maintenance, repairs and minor renewals that do not significantly improve or extend the lives of the representative assets are expensed when incurred. Additions, improvements and major renewals of \$5,000 or more are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets as follows:

Furniture, fixtures, and equipment	3 to 12 years
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Depreciation expense for the years ended August 31, 2017 and 2016 amounted to \$28,043 and \$30,358, respectively.

Concentrations of Credit Risk - At times, the Organization may maintain cash balances with financial institutions in excess of federally insured limits. It is the opinion of management that the solvency of these financial institutions is sufficient to cover any exposure. Additionally, revenues and accounts receivable are primarily derived from government contracts with the state of Texas.

Income Taxes - The Organization follows the Income Taxes topic of the FASB ASC, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. The Organization is not aware of any activities that would jeopardize its tax-exempt status and is not aware of any activities that are subject to tax on unrelated business income. As of August 31, 2017, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements and does not expect this to change in the next twelve months. The 2014 through 2017 tax years remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through November 30, 2017, which is the date the financial statements were available to be issued.

Reclassifications - Certain reclassifications were made to the 2016 financial statements presentation in order to conform to the 2017 financial statements presentation.

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Notes to Financial Statements

3 - Capital Lease Obligation

During the year ended August 31, 2014, the Organization entered into a capital lease. The cost of the asset under the capital lease at August 31, 2017 is \$44,000 with accumulated depreciation of \$44,000. The lease was paid off and there is no outstanding balance for the capital lease obligation as of August 31, 2017. The outstanding balance of the capital lease obligation was \$14,041 as of August 31, 2016.

4 - Operating Leases

The Organization has entered into non-cancelable operating leases for office equipment and office space. Rent payments under these leases totaled \$94,431 and \$87,040, respectively, for the years ended August 31, 2017 and 2016. The following is a schedule of future minimum rentals under these leases:

Year Ending August 31,	
2018	\$ 96,644
2019	96,644
2020	94,486
2021	51,933

5 - Note Payable

In April 2016, the Organization obtained a new note with a financial institution to pay off a previous note. The note bears interest at 3.8% and requires monthly payments of principal and interest in the amount of \$9,173. The note is secured by assets of the Organization and matures in May 2020. The outstanding balance of the note was \$287,356 and \$384,218 at August 31, 2017 and 2016, respectively.

Future maturities of the note are scheduled as follows:

Year Ending August 31,	
2018	100,907
2019	104,809
2020	81,640

6 - Line of Credit

In April 2016, the Organization obtained a line of credit with a financial institution in the amount of \$250,000. The line of credit bears interest at Prime plus 1.5% (5.75% at August 31, 2017) and requires interest only payments monthly. The line of credit will continue until demand is made and is secured by assets of the Organization. There was no outstanding balance on the line of credit as of August 31, 2017. The outstanding balance of the line of credit was \$43,000 at August 31, 2016.

7 - Retirement Plan

The Organization sponsors a defined contribution retirement plan, covering all employees with at least one year of service who agree to make contributions to the plan. The Organization may match participants' contributions to the plan up to a determined percentage of each individual participant's compensation. In addition, at its discretion, the Organization may contribute additional funds to the plan. The Organization elected to match 100% of the employees' contributions up to 4% of each participant's compensation for the years ended August 31, 2017 and 2016. This matching contribution totaled \$33,272 and \$21,891 for the years ended August 31, 2017 and 2016, respectively.