HELPING RESTORE ABILITY

Arlington, Texas

Financial Statements

Years Ended August 31, 2018 and 2017

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TABLE OF CONTENTS

PSK LLP Accountants & Advisors

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, 2018 and 2017 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, 2018 and 2017, 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 29, 2018

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HELPING RESTORE ABILITY
Statements of Financial Position
August 31, 2018 and 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 814,577	$ 493,251
Accounts receivable, net	1,548,788	1,605,710
Prepaid expenses	61,564	64,012
Total current assets	2,424,929	2,162,973
Physical Properties		
Furniture, fixtures and equipment	201,508	201,508
Less: accumulated depreciation	(171,091)	(158,110)
Total physical properties	30,417	43,398
Intangible asset	346,964	-
Deposit	8,187	8,187
Total Assets	$ 2,810,497	$ 2,214,558
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 20,218	$ 3,009
Payroll related payables	1,714,772	1,485,228
Accrued expenses	36,794	50,871
Current portion of note payable	-	100,907
Total current liabilities	1,771,784	1,640,015
Long-term Liabilities		
Note payable, net of current portion	-	186,449
Total liabilities	1,771,784	1,826,464
Net Assets		
Unrestricted	898,713	388,094
Temporarily restricted	140,000	-
Total net assets	1,038,713	388,094
Total Liabilities and Net Assets	$ 2,810,497	$ 2,214,558

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

HELPING RESTORE ABILITY

Statements of Activities
Years Ended August 31, 2018 and 2017

	2018	2017
Changes in Unrestricted Net Assets:		
Revenues, Gains, and other Support		
Service revenues		
Texas Department of Aging and Disability Services Programs:		
Consumer Directed Services (CDS)	$ 14,355,559	$ 14,229,444
Primary Home Care Program (PHC)	165,337	151,582
Client Managed Personal Attendant Services (CMPAS)	-	43,670
Mental Health Mental Retardation Program (MHMR)	3,455	3,951
Program fees	-	24,868
Star+Plus Managed Care Program	9,632,969	8,857,007
Other programs	33,813	31,763
Billing adjustments	(236,235)	(250,019)
Total service revenues	23,954,898	23,092,266
Contributions	629,944	528,992
Miscellaneous revenues	-	6,407
Interest income	14	4
Total revenues, gains, and other support	24,584,856	23,627,669
Expenses:		
Program expenses		
Attendant payroll	21,566,995	20,825,737
Other costs of services	1,505,581	1,746,544
Total program expenses	23,072,576	22,572,281
Supporting services		
General and administrative	854,412	870,016
Fundraising	147,249	132,946
Total supporting services	1,001,661	1,002,962
Total expenses	24,074,237	23,575,243
Change in Unrestricted Net Assets	510,619	52,426
Changes in Temporarily Restricted Net Assets:		
Restricted contributions	140,000	-
Change in Net Assets	650,619	52,426
Net Assets at Beginning of the Year	388,094	335,668
Net Assets at End of the Year	$ 1,038,713	$ 388,094

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

HELPING RESTORE ABILITY
Statements of Cash Flows
Years Ended August 31, 2018 and 2017

	2018	2017
Cash Flows From Operating Activities:		
Change in net assets	$ 650,619	$ 52,426
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	12,981	28,043
(Increase) decrease in assets:		
Accounts receivable	56,922	111,072
Prepaid expenses	2,448	(27,408)
Increase (decrease) in liabilities:		
Accounts payable	17,209	(25,107)
Payroll related payables	229,544	516,690
Accrued expenses	(14,077)	(43,552)
Net cash and cash equivalents provided by operating activities	955,646	612,164
Cash Flows From Investing Activities:		
Purchase of intangible asset	(346,964)	-
Cash Flows From Financing Activities:		
Line of credit activity, net	-	(43,000)
Payments on note payable	(287,356)	(96,862)
Payments on capital lease obligation	-	(14,041)
Net cash and cash equivalents used in financing activities	(287,356)	(153,903)
Change in Cash and Cash Equivalents	321,326	458,261
Cash and Cash Equivalents at Beginning of the Year	493,251	34,990
Cash and Cash Equivalents at End of the Year	$ 814,577	$ 493,251
Supplemental Disclosures:		
Cash paid during the year for interest	$ 4,970	$ 20,328

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 programs:

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.

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.

Other Programs:

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.

<u>Functional Allocation of Expenses</u> - 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.

<u>Use of Estimates</u> - 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.

<u>Revenues and Support</u> - 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.

<u>Donated Services</u> - 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 year ended August 31, 2017, the Organization recognized approximately $6,510 in donated services. The Organization recognized no donated services for the year ended August 31, 2018. 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.

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

<u>Cash and Cash Equivalents</u> - For purposes of reporting cash flows, the Organization considers all bank deposits and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

<u>Accounts Receivable</u> - 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, 2018 and 2017, the allowance for doubtful accounts was $131,431 and $41,507, respectively.

2 - Significant Accounting Policies (continued)

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, ranging from 3 to 12 years.

Depreciation expense for the years ended August 31, 2018 and 2017 amounted to $12,981 and $28,043, 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, 2018, 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 2015 through 2018 tax years remain subject to examination by the Internal Revenue Service.

Subsequent Events - Subsequent events have been evaluated through November 29, 2018, which is the date the financial statements were available to be issued.

3 - Intangible Asset

During the year ended August 31, 2018, the Organization developed a time-tracking software program for attendant workers. The total cost for the software was $346,964. The cost of the asset will be amortized over a 3-year period beginning in September 2018.

4 - Operating Leases

The Organization has entered into non-cancelable operating leases for office equipment and office space. Rent payments under these leases totaled $102,044 and $94,431, respectively, for the years ended August 31, 2018 and 2017. The following is a schedule of future minimum rentals under these leases:

Year Ending August 31,	
2019	$ 96,644
2020	94,486
2021	91,881
2022	95,876
2023	95,876

5 - Note Payable

In April 2016, the Organization obtained a new note with a financial institution to pay off a previous note. The note bore interest at 3.8% and required monthly payments of principal and interest in the amount of $9,173. The note was secured by assets of the Organization and was scheduled to mature in May 2020. The outstanding balance of the note was $287,356 at August 31, 2017. During the year ended August 31, 2018, the Organization retired the note early.

6 - Line of Credit

During the year ended August 31, 2017, the Organization had a line of credit with a financial institution in the amount of $250,000. The line of credit bore interest at Prime plus 1.5% (5.75% at August 31, 2017) and required interest only payments monthly. The line of credit was secured by assets of the Organization. There was no outstanding balance on the line of credit at August 31, 2017.

During the year ended August 31, 2018, the Organization obtained a new line of credit with another financial institution in the amount of $750,000. The line of credit bears interest at 5.9% and requires interest only payments monthly. The line of credit matures in January 2019, at which time all unpaid principal and interest will become due, and is secured by assets of the Organization. There was no outstanding balance on the line of credit at August 31, 2018.

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, 2018 and 2017. This matching contribution totaled $37,133 and $33,272 for the years ended August 31, 2018 and 2017, respectively.

8 - Temporarily Restricted Net Assets

During the year ended August 31, 2018, the Organization received grants totaling $140,000 that are to be used for operations during the year ending August 31, 2019. Accordingly, these grants have been recorded as temporarily restricted contributions on the statement of activities and as temporarily restricted net assets on the statement of financial position.