

**ABILIS, INC.**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**ANQUILLARE,  
RUOCCO,  
TRAESTER  
&  
COMPANY**

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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ABILIS, INC.  
FINANCIAL STATEMENTS

JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors  
Abilis, Inc.  
50 Glenville Street  
Greenwich, CT 06831

We have audited the accompanying statements of financial position of Abilis, Inc. as of June 30, 2010 and 2009 and the related statements of activities, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Abilis' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of Abilis as of June 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental financial data, found on pages 16 and 17, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anquillare, Ruocco, Traester and Company*

West Haven, Connecticut  
December 10, 2010

ABILIS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 AS OF JUNE 30, 2010 AND 2009

	2010	2009
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,506,483	\$ 1,201,765
Accounts and Grants Receivable	893,354	742,875
Prepaid Expenses	224,277	227,210
Investments	-	8,645
TOTAL CURRENT ASSETS	<u>2,624,114</u>	<u>2,180,495</u>
PROPERTY, PLANT AND EQUIPMENT:		
Land	468,915	468,915
Building and Improvements	6,197,849	6,117,381
Furniture, Fixtures and Equipment	943,070	882,795
Assets Held Under Capital Lease	<u>2,776,482</u>	<u>2,776,482</u>
Total at Cost	10,386,316	10,245,573
Less: Accumulated Depreciation and Amortization	<u>(5,793,984)</u>	<u>(5,435,158)</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT - NET	<u>4,592,332</u>	<u>4,810,415</u>
OTHER ASSETS	<u>60,283</u>	<u>107,421</u>
ASSETS WHOSE USE IS RESTRICTED:		
By Donors for Scholarships	7,839	10,025
TOTAL ASSETS	<u>\$ 7,284,568</u>	<u>\$ 7,108,356</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 1,095,060	\$ 970,248
Mortgages Payable - Current Portion	129,040	120,248
Auto Loans Payable - Current Portion	5,658	-
Capitalized Lease Obligations - Current Portion	212,901	221,808
Other Current Liabilities	<u>364,068</u>	<u>371,109</u>
TOTAL CURRENT LIABILITIES	<u>1,806,727</u>	<u>1,683,413</u>
LONG-TERM LIABILITIES:		
Mortgages Payable - Net of Current Portion	2,507,214	2,636,254
Capitalized Lease Obligations - Net of Current Portion	376,678	589,256
Auto Loans Payable - Net of Current Portion	<u>23,272</u>	<u>-</u>
TOTAL LONG-TERM LIABILITIES	<u>2,907,164</u>	<u>3,225,510</u>
OTHER LIABILITIES:		
Note Payable	419,000	419,000
Deferred Revenue	<u>223,931</u>	<u>227,471</u>
TOTAL OTHER LIABILITIES	<u>642,931</u>	<u>646,471</u>
TOTAL LIABILITIES	<u>5,356,822</u>	<u>5,555,394</u>
NET ASSETS:		
Net Assets - Unrestricted	153,599	148,900
Net Assets - Temporarily Restricted	<u>1,774,147</u>	<u>1,404,062</u>
TOTAL NET ASSETS	<u>1,927,746</u>	<u>1,552,962</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,284,568</u>	<u>\$ 7,108,356</u>

The accompanying notes are an integral part of this financial statement.

ABILIS, INC.  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
<u>CHANGES IN UNRESTRICTED NET ASSETS</u>		
REVENUE:		
Government Funding	\$ 11,110,611	\$ 10,935,892
Vocational Sales	106,579	108,720
Fees Charged to Individuals	392,737	444,615
Investment Income	7,418	(10,563)
Other Income	35,896	94,992
TOTAL REVENUE	<u>11,653,241</u>	<u>11,573,656</u>
SUPPORT:		
Grants	258,713	208,000
Contributions	196,548	176,975
Fundraising	179,671	158,639
Net Assets Released from Restriction	342,543	575,477
TOTAL SUPPORT	<u>977,475</u>	<u>1,119,091</u>
TOTAL REVENUE AND SUPPORT	<u>12,630,716</u>	<u>12,692,747</u>
PROGRAM AND SUPPORT EXPENSES:		
Residential Services	6,176,495	6,098,388
Infant/Youth/Gap and Family Services	2,183,793	2,299,360
Vocational Services	2,337,847	2,160,325
Community Network	153,142	165,794
Fundraising	290,609	306,289
Administrative and General	1,484,131	1,693,377
TOTAL PROGRAM AND SUPPORT EXPENSES	<u>12,626,017</u>	<u>12,723,533</u>
CHANGE IN UNRESTRICTED NET ASSETS	4,699	(30,786)
UNRESTRICTED NET ASSETS - JULY 1	148,900	179,686
UNRESTRICTED NET ASSETS - JUNE 30	<u>\$ 153,599</u>	<u>\$ 148,900</u>

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

TEMPORARILY RESTRICTED NET ASSETS - JULY 1	\$ 1,404,062	\$ 1,673,743
Contributions	178,191	514
Grants	534,437	305,282
Net Assets Released from Restriction	(342,543)	(575,477)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>370,085</u>	<u>(269,681)</u>
TEMPORARILY RESTRICTED NET ASSETS - JUNE 30	<u>\$ 1,774,147</u>	<u>\$ 1,404,062</u>

CHANGES IN TOTAL NET ASSETS

TOTAL NET ASSETS - JULY 1	\$ 1,552,962	\$ 1,853,429
Changes in Unrestricted Net Assets	4,699	(30,786)
Changes in Temporarily Restricted Net Assets	370,085	(269,681)
TOTAL NET ASSETS - JUNE 30	<u>\$ 1,927,746</u>	<u>\$ 1,552,962</u>

The accompanying notes are an integral part of this financial statement.

ABILIS, INC.  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES:		
Change in Net Assets for the Period	\$ 374,784	\$ (300,467)
Adjustments to Reconcile Change in Net Assets to Net Cash Flows from Operating Activities:		
Depreciation	205,753	216,256
Amortization	152,234	153,985
Unrealized Loss (Gain) on Securities	-	3,170
(Increase) Decrease in Assets:		
Accounts and Grants Receivable - Net	(150,479)	(43,616)
Prepaid Expenses	2,933	97,128
Other Assets	47,138	(47,074)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	124,812	(78,964)
Other Current Liabilities	(7,040)	1,268
Deferred Revenue	(3,540)	22,215
Total Adjustments	<u>371,811</u>	<u>324,368</u>
NET CASH FROM OPERATING ACTIVITIES	<u>746,595</u>	<u>23,901</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:		
Acquisition of Fixed Assets	(139,905)	(131,470)
Investments	8,645	113,378
Decrease in Assets Whose Use is Restricted	<u>2,186</u>	<u>2,921</u>
NET CASH (USED IN) INVESTING ACTIVITIES:	<u>(129,074)</u>	<u>(15,171)</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:		
Payments on Mortgages Payable	(120,248)	(112,058)
Proceeds from Auto Loans Payable	29,858	-
Payments on Auto Loans Payable	(928)	(3,659)
Payments on Capital Leases	<u>(221,485)</u>	<u>(208,236)</u>
NET CASH (USED IN) FINANCING ACTIVITIES	<u>(312,803)</u>	<u>(323,953)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	304,718	(315,223)
CASH AND CASH EQUIVALENTS - JULY 1	<u>1,201,765</u>	<u>1,516,988</u>
CASH AND CASH EQUIVALENTS - JUNE 30	<u>\$ 1,506,483</u>	<u>\$ 1,201,765</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid During the Year for Interest	<u>\$ 245,234</u>	<u>\$ 269,234</u>

The accompanying notes are an integral part of this financial statement.

NOTE A - NATURE OF ORGANIZATION:

Abilis, Inc. (d/b/a Abilis) provides residential, educational and vocational services for individuals with developmental disabilities within the community. Following is a summary of program services provided by Abilis:

**YOUTH SERVICES** - Provides education and therapy to children with developmental disabilities, from birth to three years old, and from three to twenty-one years old, and their families. Family assistance programs are also available. Youth Services is comprised of the following:

Birth to Three Services - Provides family-centered early intervention programs for high-risk infants with suspected and/or confirmed developmental delays and disabilities up to age three. Developmental assessments, educational experiences and therapeutic services of all types (physical, speech, occupational and other services) are provided at home or at community day care and education programs.

The Abilis Autism Program - Offers services to children with autism and related disorders and their families through consultation to schools and other programs serving children with autism, in-home and after-school behavioral programming and support, respite care, seminars, parent training and support, and a diagnostic center.

Abilis Family Resources - Links school-aged children with developmental disabilities to community recreational activities available to typical children. Family Resources also sponsors parent and sibling self-support groups, including a specialized program to service the Latino community; respite care, which matches trained care providers to relieve family members who have the primary responsibility for the care of a person with disabilities living at home; transition planning for students completing their middle school and high school experiences; seminar programs that empower parents to advocate for children with special needs; various recreational programs including the Anything's Possible Players theater program, and a Summer Camp program.

ABILIS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE A - NATURE OF ORGANIZATION: (Cont'd)

ADULT SERVICES - Provides residential, educational and vocational services for adults with intellectual disabilities, autism and related disorders within the community. Adult Services is comprised of the following:

Residential Services - Thirteen group homes, as well as supervised apartment living and home sharing, provide a family atmosphere where residents are trained with the necessary skills to maximize their capabilities for self-sufficiency.

Employment Services - Occupational training and career development activities are provided to adults with disabilities in the areas of art therapy, individual and group placement in supported and competitive work and other areas.

Community Network Services - Provides opportunities for integration of individuals of all ages and degrees of disabilities into the community through recreation/socialization activities.

Abilis receives funding from the Department of Developmental Services (DDS). Revenues earned from DDS were \$8,051,674 and \$7,976,304 for the years ended June 30, 2010 and 2009, respectively, which represents 63.7% and 62.8% of total revenue and support in 2010 and 2009, respectively.

Room and board revenue totaled \$2,874,660 and \$2,799,651 for the years ended June 30, 2010 and 2009, respectively, which consists of payments primarily based on assistance to individuals from the Department of Social Services.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF ACCOUNTING - Abilis records revenue and expenses on the accrual basis of accounting.

NET ASSETS:

Unrestricted Net Assets - Funds available for the general use of the organization.

ABILIS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES: (Cont'd)

Temporarily Restricted Net Assets - Abilis reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

GIFTS OF LONG-LIVED ASSETS - Abilis has adopted a policy to imply a time restriction for gifts of cash or other assets used to acquire long-lived assets. The amount of the gift will be recognized over the life of the asset purchased.

DONATED MATERIALS - Abilis records donated materials as contributions based upon their estimated fair market value at the date of donation. A number of volunteers donate time to Abilis' program services; however, no amounts have been reflected for these services in the accompanying financial statements as there is no objective means to measure the monetary value of such services.

CASH AND CASH EQUIVALENTS - For purposes of the statement of cash flows, Abilis considers all highly liquid instruments with a maturity of three months or less to be cash equivalents.

ACCOUNTS RECEIVABLE - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the bad debt expense and a credit to accounts receivable.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are recorded at cost on the date purchased or at fair market value on the date donated. Individual assets purchased for less than \$2,500 are charged to expense. Depreciation is recorded using the straight-line method over estimated useful lives as recommended by the State of Connecticut Departments of Developmental Services and Social Services. Assets are depreciated over 3 to 15 years for furniture, fixtures and equipment, and 5 to 30 years for buildings and improvements.

ABILIS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE B - SIGNIFICANT ACCOUNTING POLICIES: (Cont'd)

INCOME TAXES - Abilis is a tax exempt organization other than a private foundation, under Section 501(c)(3) of the Internal Revenue Code and is not subject to federal income taxes. Abilis has adopted the accounting interpretation regarding accounting for uncertainty in income taxes which prescribes how an entity should measure, recognize, present and disclose positions that it has taken or expects to take on its tax or information returns. Abilis assessed the impact of this interpretation and determined that it does not have a material impact on its financial statements.

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

NOTE C - PENSION PLAN:

Abilis has a defined contribution money purchase pension plan. Employees who attain 21 years of age, have one year of service, and have worked at least 1,000 hours within the plan year are eligible to participate in this plan. Participants are fully vested after six years, earning 20% vesting after each of the second through sixth years. Abilis contributes 6% of the total eligible amount of payroll for the year.

Pension expense of \$338,537 and \$285,769 is included in employee benefit expense as of June 30, 2010 and 2009, respectively.

NOTE D - DEFERRED REVENUE:

As of June 30, 2010, Abilis had the following amounts recorded as deferred revenue:

DDS Last Month of Operations	
Residential Programs	\$ 103,711
Birth-to-Three Program	43,333
Little Learners Program	33,864
FY 2010 Golf Tournament Contributions	12,200
Deferred Grants for Respite Services	15,831
Other	14,992
TOTAL	<u>\$ 223,931</u>

ABILIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE E - CAPITAL LEASES:

Abilis has capital lease obligations for seven of its group homes in Stamford and Greenwich, Connecticut as well as for certain office equipment expiring in various years through 2014. The assets are recorded at their fair value and are amortized over the life of the related lease agreement. Upon expiration of the residential leases, the group homes become the property of Abilis.

The following is a summary of assets held under capital leases:

	June 30,	
	2010	2009
Land	\$ 480,745	\$ 480,745
Buildings and Equipment	2,295,737	2,295,737
Total	<u>\$ 2,776,482</u>	<u>\$ 2,776,482</u>

At June 30, 2010 lease obligations under capital leases are as follows:

	2011	\$ 248,860
	2012	185,890
	2013	156,565
	2014	59,084
	2015	12,637
	Total Lease Obligations	<u>663,036</u>
	Less: Amount Representing Interest	<u>(73,457)</u>
	Present Value of Net Minimum Future Lease Payments	589,579
	Less: Current Portion	<u>(212,901)</u>
	Long-Term Capitalized Lease Obligations	<u>\$ 376,678</u>

NOTE F - NOTES PAYABLE:

Abilis borrowed \$419,000 from CIL Realty, Inc. during May of 1991. This note is secured by all accounts receivable and contract rights, including those rights to receive reimbursements from the State of Connecticut, related to the premises currently leased from CIL Realty, Inc. The note bears interest at a variable rate, calculated monthly, equal to the rate of interest paid by CIL Realty, Inc. on the Connecticut Development Authority Health Care Revenue Bonds plus 6%, for a period of 10 years.

ABILIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE F - NOTES PAYABLE: (Cont'd)

The terms of the agreement indicate that, provided there is no default, no interest shall be payable after the tenth anniversary (May 28, 2001) of the note, and no principal payments will be required. In addition, if Abilis is in compliance with all terms and covenants of the note and the terms of its realty lease, and has repaid the Departments of Social Service and/or Developmental Services for any outstanding obligations, the principal of the note will be forgiven when the leased property is donated to Abilis. As of June 30, 2010, the leased property had not been donated to Abilis.

In addition, Abilis has the following balance payable on debt outstanding as of June 30:

	<u>2010</u>	<u>2009</u>
Auto Loan payable to Ford Motor Credit Corp due in monthly installment of \$535 at a rate of 2.90% and secured by a Ford van	\$ 28,930	\$ -
Less: Current Portion	(5,658)	-
Long-Term Portion	<u>\$ 23,272</u>	<u>\$ -</u>

The following is the schedule of principal payments for the next five years:

2011	\$ 5,658
2012	5,824
2013	5,995
2014	6,171
2015	<u>5,282</u>
Total	<u>\$ 28,930</u>

NOTE G - RENT EXPENSE:

Abilis leases vehicles, office equipment, and several real properties under operating leases expiring in various years through 2015. Rent expense associated with these leases for the years ended June 30, 2010 and 2009 is \$336,039 and \$386,387 respectively.

ABILIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE G - RENT EXPENSE: (Cont'd)

Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of June 30, 2010 for each of the next five years are:

	2011	\$	281,813
	2012		184,047
	2013		120,004
	2014		78,493
	2015		<u>80,044</u>
Total Minimum Future Rental Payments		\$	<u>744,401</u>

NOTE H - MORTGAGES PAYABLE:

As of June 30, Abilis had the following mortgages payable:

	<u>2010</u>	<u>2009</u>
6.00 % Mortgage payable to Connecticut Housing Finance Authority due in monthly installments of \$2,487 through October 1st, 2021, secured by property at 12 Orchard St., Cos Cob, CT.	\$ 245,014	\$ 259,680
Mortgage payable to JPMorgan/Chase in monthly installments of \$10,156, through April 18th, 2013, secured by properties at 50 & 52 Glenville St., Greenwich, CT. The loan has an interest rate swap agreement that guarantees interest at 7.00% for a period of 10 years, which is calculated using the LIBOR rate plus 2.25%.	1,026,041	1,074,247
Mortgage payable to JPMorgan/Chase in monthly installments of \$2,752, through April 18th, 2013, secured by properties at 50 & 52 Glenville St., Greenwich, CT. The loan has an interest rate swap agreement that guarantees interest at 7.00% for a period of 10 years, which is calculated using the LIBOR rate plus 2.25%.	278,049	291,113

ABILIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE H - MORTGAGES PAYABLE: (Cont'd)

	2010	2009
Mortgage payable to JPMorgan/Chase in monthly installments of \$4,985, through January 1st, 2016, secured by properties at 167 Elm Street, Greenwich, CT and 94 Turn of River, Stamford, CT. The loan has an interest rate swap agreement that guarantees interest at 7.910% for a period of 10 years, which is calculated using the LIBOR rate plus 2.25%.	\$ 533,449	\$ 550,342
Mortgage payable to JPMorgan/Chase in monthly installments of \$2,402, through April 1st, 2013, secured by properties at 50 & 52 Glenville St., Greenwich, CT. The loan has an interest rate swap agreement that guarantees interest at 7.310% for a period of of approximately 7 1/2 years, which is calculated using the LIBOR rate plus 2.25%.	264,578	273,700
Mortgage payable to JPMorgan/Chase in monthly installments of \$3,347, through April 1st, 2013, secured by properties at 50 & 52 Glenville St., Greenwich, CT. The loan has an interest rate swap agreement that guarantees interest at 7.310% for a period of of approximately 7 1/2 years, which is calculated using the LIBOR rate plus 2.25%.	289,123	307,420
TOTAL MORTGAGES PAYABLE	2,636,254	2,756,502
Less: Current Portion	(129,040)	(120,248)
TOTAL LONG-TERM DEBT	\$ 2,507,214	\$ 2,636,254

ABILIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE H - MORTGAGES PAYABLE: (Cont'd)

The following is a schedule of minimum principal payments due for future periods as of June 30:

2011	\$	129,040
2012		138,479
2013		148,612
2014		159,490
2015		171,169
Thereafter		<u>1,889,464</u>
Total Mortgages Payable	\$	<u>2,636,254</u>

NOTE I - FAIR VALUE MEASUREMENT OF INVESTMENTS:

Generally Accepted Accounting Principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. Abilis uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. Abilis measures fair value using Level 1 inputs because they are readily available for all their investments and generally provide the most reliable evidence of fair value.

As of June 30, Abilis held the following investments which have been recorded at fair market value:

	2010		2009	
	Level 1		Level 1	
	Market		Market	
	Value	Cost	Value	Cost
ING Index Senior Income Fund	\$ -	\$ -	\$ 8,645	\$ 11,967
TOTAL	\$ -	\$ -	\$ 8,645	\$ 11,967

ABILIS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

NOTE J - TEMPORARILY RESTRICTED NET ASSETS:

The balance of temporarily restricted net assets outstanding as of June 30, are as follows:

	2010	2009
Town of Greenwich - Community Development (1)	\$ 200,070	\$ 227,007
Student Scholarship Fund	7,839	10,025
Abilis Autism Program	74,423	81,723
Family Resource Center	27,300	-
Youth Services	110,960	23,165
Abilis Foundation Grant for Main Building Renovations (1)	382,250	411,654
Adult Services	254,317	190,516
Bequests Deferred	389,281	217,460
Specific Assistance Fund	162,143	104,344
Bi-Annual Benefit Proceeds Deferred	145,564	138,168
Staff Recognition	20,000	-
Total	<u>\$ 1,774,147</u>	<u>\$ 1,404,062</u>

(1) Included in the amounts above are grants which are being amortized over periods ranging between 3 and 25 years.

NOTE K - CONCENTRATION OF CREDIT RISK:

A significant portion of accounts receivable at year end is due from the State of Connecticut within one month.

NOTE L - POST-RETIREMENT BENEFITS:

During the fiscal year ended June 30, 2007, the Abilis Executive Director retired after 23 years of service. The Abilis Board of Directors Executive Committee decided to extend health insurance coverage to the retired Executive Director until the retiree either qualifies for Medicare, or receives coverage under another employer. Under the requirements of Generally Accepted Accounting Principles in the United State of America (GAAP)," Abilis established a liability and recognized a corresponding expense to accrue for cost of this post-retirement benefit for both the retired Executive Director, and the new Executive Director. As of June 30, 2010, Abilis had accrued \$69,232, representing the discounted value of the future estimated costs for these post-retirement benefits.

ABILIS, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

NOTE M - SUBSEQUENT EVENTS:

GAAP requires that a review for subsequent events be performed. This includes the period after the balance sheet date to evaluate circumstances that would be considered a subsequent event and subject to disclosure requirements. Management has evaluated subsequent events through December 10, 2010, the date the financial statements were available to be issued.

After June 30, 2010, a terminated employee filed a discrimination charge against Abilis. The charge has been brought before the Connecticut Commission on Human Rights and Opportunities. On October 22, 2010, Abilis filed a response to the charge denying the material allegations of discrimination. The potential outcome of this matter could not be predicted as of December 10, 2010.

ABILIS, INC.  
 SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2010

	Residential Services	Infant/ Youth/GAP and Family Services	Vocational Services	Community Network	Total Program Service	Fund-raising	General and Administrative	Total 2010
<b>EMPLOYEE RELATED EXPENSES:</b>								
Salaries	\$ 3,605,774	\$ 1,003,626	\$ 1,387,434	\$ 90,710	\$ 6,087,544	\$ 110,366	\$ 905,599	\$ 7,103,509
Employee Benefits	790,153	219,930	304,036	19,878	1,333,997	24,185	198,449	1,556,631
Payroll Taxes	278,247	77,447	107,064	7,000	469,758	8,517	69,883	548,158
	4,674,174	1,301,003	1,798,534	117,588	7,891,299	143,068	1,173,931	9,208,298
<b>TOTAL EMPLOYEE RELATED EXPENSES</b>								
<b>OTHER EXPENSES:</b>								
Professional Fees	36,126	618,962	3,401	10,339	668,828	28,759	90,540	788,127
Administrative Supplies	11,468	14,387	7,752	731	34,338	4,830	35,139	74,307
Program Supplies	90,347	741	19,620	2,692	113,400	-	-	113,400
Facility Supplies	206,825	1,120	11,837	328	220,110	-	2,729	222,839
Cost of Sales	-	-	10,899	-	10,899	-	-	10,899
Telephone	22,252	6,727	4,268	121	33,368	-	9,001	42,369
Postage	7,165	3,751	1,017	463	12,396	3,056	2,863	18,315
Mortgage/Lease Interest	201,408	-	27,847	515	229,770	-	9,232	239,002
Property Rental	79,896	103,921	-	-	183,817	-	-	183,817
Maintenance/Utilities/Insurance	298,323	9,881	61,137	1,556	370,897	-	45,385	416,282
Equipment Rental and Maintenance	18,257	17,469	5,137	78	40,941	3,726	31,147	75,814
Transportation	147,828	16,642	129,754	12,411	306,635	64	7,185	313,884
Staff Development and Meetings	23,090	3,245	8,624	466	35,425	279	16,833	52,537
Client Wages/Taxes	-	-	136,114	-	136,114	-	-	136,114
Assistance to Individuals	92,321	84,866	46,387	3,947	227,521	-	4,750	232,271
Membership	195	-	105	-	300	275	3,570	4,145
Other Interest	4,290	878	995	66	6,229	-	3	6,232
Depreciation	100,381	-	62,542	1,841	164,764	917	40,972	206,653
Amortization	152,234	-	-	-	152,234	-	-	152,234
Fund Raising	-	200	-	-	200	103,668	-	103,868
Other	9,915	-	1,877	-	11,792	1,967	10,851	24,610
<b>TOTAL OTHER EXPENSES</b>	1,502,321	882,790	539,313	35,554	2,959,978	147,541	310,200	3,417,719
<b>TOTAL PROGRAM AND SUPPORT EXPENSES</b>	\$ 6,176,495	\$ 2,183,793	\$ 2,337,847	\$ 153,142	\$ 10,851,277	\$ 290,609	\$ 1,484,131	\$ 12,626,017

ABILIS, INC.  
 SUPPLEMENTAL STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2009

	Residential Services	Infant/ Youth/Gap and Family Services	Vocational Services	Community Network	Total Program Service	Fund-raising	General and Administrative	Total 2009
EMPLOYEE RELATED EXPENSES:								
Salaries	\$ 3,522,808	\$ 1,028,999	\$ 1,288,652	\$ 108,710	\$ 5,949,159	\$ 125,844	\$ 1,001,102	\$ 7,076,105
Employee Benefits	713,794	208,494	261,108	22,027	1,205,423	25,499	202,843	1,433,765
Payroll Taxes	288,705	84,329	105,609	8,909	487,552	10,313	82,043	579,908
TOTAL EMPLOYEE RELATED EXPENSES	4,525,307	1,321,812	1,655,369	139,646	7,642,134	161,656	1,285,988	9,089,778
OTHER EXPENSES:								
Professional Fees	60,111	616,818	4,152	10,146	691,227	32,171	154,999	878,397
Administrative Supplies	8,555	10,515	3,751	210	23,031	2,578	34,771	60,380
Program Supplies	62,914	1,673	23,661	834	89,082	20	-	89,102
Facility Supplies	201,043	525	8,063	74	209,705	-	2,649	212,354
Cost of Sales	-	-	4,644	-	4,644	-	-	4,644
Telephone	22,480	5,156	4,023	117	31,776	-	9,674	41,450
Postage	7,326	3,849	149	463	11,787	365	5,954	18,106
Mortgage/Lease Interest	223,887	-	29,075	538	253,500	-	9,640	263,140
Property Rental	105,487	-	-	-	252,323	-	-	252,323
Maintenance/Utilities/Insurance	340,129	146,836	70,370	1,229	414,681	-	-	468,280
Equipment Rental and Maintenance	18,292	20,953	6,327	53	45,056	3,355	32,767	81,178
Transportation	151,553	20,384	129,300	8,139	309,059	139	8,726	317,924
Staff Development and Meetings	22,008	5,587	8,486	437	36,518	180	43,774	80,472
Client Wages/Taxes	-	107,620	107,620	-	107,620	-	-	107,620
Assistance to Individuals	82,357	139,804	39,791	2,516	284,468	-	2,150	286,618
Membership	-	-	349	-	349	675	4,221	5,245
Other Interest	4,149	839	-	57	5,045	-	1,049	6,094
Depreciation	108,708	-	63,936	1,335	173,979	573	41,704	216,256
Amortization	153,985	-	-	-	153,985	-	-	153,985
Fund Raising	-	-	-	-	-	92,233	820	93,053
Other	97	2,542	1,259	-	3,898	12,344	892	17,134
TOTAL OTHER EXPENSES	1,573,081	977,548	504,956	26,148	3,081,733	144,633	407,389	3,633,755
TOTAL PROGRAM AND SUPPORT EXPENSES	\$ 6,098,388	\$ 2,299,360	\$ 2,160,325	\$ 165,794	\$ 10,723,867	\$ 306,289	\$ 1,693,377	\$ 12,723,533