AbilityWorks, Inc.

(A Component Unit of the State of Mississippi)

FINANCIAL STATEMENTS
June 30, 2020 and 2019



AbilityWorks, Inc. Table of Contents June 30, 2020 and 2019

	Page
REPORT Independent Auditors' Report	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
FINANCIAL STATEMENTS Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
SUPPLEMENTARY INFORMATION	
Schedules of Cost of Production	21
Schedules of General and Administrative Expenses	22
Schedule of Statistical Analysis of Operations for year ended June 30, 2020	23
Schedule of Statistical Analysis of Operations for year ended June 30, 2019	24
Independent Auditors' 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	25





Carr, Riggs & Ingram, LLC 400 West Parkway Place Suite 300 Ridgeland, MS 39157

Mailing Address: PO Box 2418 Ridgeland, MS 39158

601.853.7050 601.853.9331 (fax) CR(cpa.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors AbilityWorks, Inc. Madison, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of AbilityWorks, Inc., a component unit of the State of Mississippi, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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 and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AbilityWorks, Inc., a component unit of the State of Mississippi, as June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that comprise AbilityWorks, Inc. (a component unit of the State of Mississippi) basic financial statements. The supplementary information included in the accompanying schedules of cost of production, general and administrative expenses, and statistical analysis of operations are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules of cost of production, general and administrative expenses, and statistical analysis of operations are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America. In our opinion, the accompanying 2020 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued a report dated December 4, 2020, on our consideration of AbilityWorks, 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 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 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 AbilityWorks, Inc.'s internal control over financial reporting and compliance.

CARR, RIGGS & INGRAM, LLC

Caux Rigge & Ingram, L.L.C.

Ridgeland, Mississippi December 4, 2020 FINANCIAL STATEMENTS

The following is a discussion and analysis of the AbilityWorks, Inc. ("AbilityWorks") financial performance, providing an overview of the activities for the fiscal year ended June 30, 2020 and 2019.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with AbilityWorks, Inc.'s basic financial statements.

Financial Highlights

- Total net position for AbilityWorks at year end was reported at \$28,926,064, which was an increase of \$537,134, or 2%, from the prior fiscal year.
- Operating revenues for fiscal year 2020 increased \$783,455, or 1%, from fiscal year 2019 due to more Medicaid waiver revenues.
- Total expenses increased 2%, or \$1,588,488, from 2019 to 2020 due to an increase in Medicaid waiver payroll. "Cost of production" decreased \$862,765, "general and administrative expenses" increased \$1,013,969.
- Transfers-in increased \$587,064, or 10%.

Overview of the Financial Statements

Under GASB 34, the primary accounting standard for governmental financial statements, there are three components to the basic financial statements: 1) the government-wide financial statements, 2) the fund financial statements and 3) the notes to the financial statements.

Government-Wide Statements

AbilityWorks is classified as an enterprise fund and therefore utilizes the accrual method as its basis of accounting, which is the same as a private sector business. By utilizing the accrual method of accounting, the presentation of financial information in the government-wide statements and the fund financial statements would contain no differences. However, due to the fact that AbilityWorks is a component unit of the State of Mississippi, government-wide statements are not included herein but will instead be included in the State of Mississippi's basic financial statements. AbilityWorks financial statements will be presented in the State of Mississippi's government-wide statements under the "business type activities".

Fund Financial Statements

The financial statements for AbilityWorks report the financial activity for all fifteen locations included within AbilityWorks. As an enterprise fund, these facilities charge customers for services provided, whether to outside customers or to other agencies within the State.

Fund Financial Statements (Continued)

The method of accounting used by AbilityWorks is the accrual method of accounting, which is the same used by private sector businesses, in that revenues are recognized when earned and expenses are recognized when incurred. Included in the fund financial statements are the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows using the direct method. No other "required supplementary information" is presented. In addition, supplementary information is presented regarding cost of production, general and administrative expenses and certain statistical information.

Financial Analysis

<u>Table 1</u> Statements of Net Position

	Governmental Activities		
June 30,	2020	2019	
Current and other assets	\$ 31,506,936	\$ 31,082,474	
Current and other liabilities	2,580,872	2,693,544	
Net Position:			
Unrestricted	\$ 28,926,064	\$ 28,388,930	

- "Current and other assets" increased \$424,462, of this amount:
 - "Cash" increased \$2,864,325.
 - o "Investments CD" increased \$1,781.
 - o The "Accounts receivables, net" account decreased \$359,967. Due to the current economic climate, there has been a shift at facilities from entering into manufacturing contracts to entering into service/janitorial contracts. The majority of the Accounts Receivable balance at June 30, 2020 and 2019, pertains to service contracts with the General Services Administration. Historically, payments for services on those contracts are not made as timely as with other contracts.
 - o The "Unbilled receivables" account, which involved the Medicaid Waiver for payroll processing services, decreased \$82,243 or 4%. The amount represents the payroll generated for those hours earned by personal care attendants prior to June 30th; however, the services were not invoiced to the parent agency by the June 30th cutoff. The decrease in this account was due to invoices being submitted timelier.

Financial Analysis (Continued)

- o The "Interfund receivables" account decreased by \$2,235,823 or 19%. The majority of the Interfund receivables account relates to the Medicaid Waiver, which represents payroll items which have been generated for hourly wages earned by personal care attendants and subsequently invoiced by the parent agency before June 30th but were not paid by the parent agency by June 30th.
- o The "Inventories" account increased \$25,128. This is due to more inventory on hand based on an increase in the demand for products.
- "Current liabilities" decreased \$112,672. Of this amount:
 - o The "accounts payable" account decreased \$25,317.
 - o The "accrued expenses" account decreased \$87,355. The balance in this account represents the hours earned by the personal care attendants from the period June 17-30, 2020 and subsequently paid in July 2020.

Financial Analysis (Continued)

<u>Table 2</u>
<u>Statements of Revenue, Expenses and Changes in Net Position</u>

	Governmen	Governmental Activities		
Year ended,	2020	2019		
Revenues				
Operating revenues				
Revenue from production	\$ 7,029,688	\$ 7,598,993		
Medicaid waiver income	52,345,966	50,974,352		
Other	385,795	404,649		
Nonoperating revenues				
Investment income	27,225	38,510		
Total revenues	59,788,674	59,016,504		
Expenses				
Cost of production	7,362;639	8,225,404		
Medicaid waiver expense	51,888,901	50,451,617		
General and administrative	6,502,359	5,915,295		
Total expenditures	65,753,899	64,592,316		
Transfers				
Transfers-in	6,502,359	5,915,295		
Total transfers (net)	6,502,359	5,915,295		
Increase in net position	537,134	339,483		
Net assets - beginning of year	28,388,930	28,049,447		
Net assets - ending	\$ 28,926,064	\$ 28,388,930		

Financial Analysis (Continued)

- AbilityWorks consists of community rehabilitation programs in fifteen separate locations which provide a fee for service to production and manufacturing industries within each workshop's area. Three of the fifteen locations represented approximately 52% of the production revenue recorded in 2020. These facilities are as follows: Meridian, Harrison County and Jackson.
- The increased reported in the Medicaid Waiver income account was \$1,371,614 and is mainly due to an increase employees working overtime and being paid time and a half.
- The "general and administrative expenses" represent those costs associated with office personnel of the AbilityWorks system, including facility managers, office managers, production managers, evaluators, instructors and administrative assistants as well as reimbursements to the facilities for client transportation and community based services. The majority of general and administrative expenses represent salaries and wages.
- There were no "Capital asset purchases" fiscal year 2020.
- There was a 10% increase in the "transfers-in" account, which is related to transfer of salaries of program personnel by the parent agency.

Economic Factors

Mississippi has experienced a steady decrease in the number of jobs in the manufacturing sector over the last decade. While some manufacturing job gains have occurred, statewide manufacturing jobs continues to be stagnant. The loss of manufacturing jobs is a direct reflection of the number of manufacturing businesses that closed down their operations in Mississippi. The production income generated by each AbilityWorks' facility is tied to the availability of subcontract work obtained from manufacturing businesses in the local community. Since manufacturing contracts have been declining in recent years, the AbilityWorks' system has been intentionally expanding production income from service sector contracts. These service contracts include janitorial, housekeeping, and ground maintenance.

Additionally, OVR leadership has incorporated a community based program within the AbilityWorks system. This program, Community Rehabilitation, provides vocational evaluation and job readiness opportunities outside the boundaries of the facility and places clients directly in local businesses.

Once the clients' vocational interests are obtained, the facility staff seeks businesses that offer those specific skill opportunities and contracts with them directly to help train our clients. This is a winning scenario for businesses, clients and AbilityWorks.

Economic Factors (Continued)

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Financial Contact

AbilityWorks' financial statements are designed to present users with a general overview of AbilityWorks' finances and to demonstrate its accountability. If you have any questions about the report or need additional information, contact the Director of Finance at the Mississippi Department of Rehabilitation Services, 1281 Highway 51 North, Madison, Mississippi 39110.

AbilityWorks, Inc. (A Component Unit of the State of Mississippi) Statements of Net Position

June 30,	2020	2019
Assets		
Current Assets		
Cash	\$ 18,097,277	\$ 15,232,952
Investment - certificate of deposit	170,688	168,907
Accounts receivable, net	823,878	1,183,845
Unbilled receivables	2,050,854	2,133,097
Interfund receivables	9,379,638	11,615,461
Inventories	230,768	205,640
Prepaid expenses and other	753,833	542,572
Total assets	\$ 31,506,936	\$ 31,082,474
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 215,227	\$ 240,544
Accrued expenses	2,365,645	2,453,000
Total current liabilities	2,580,872	2,693,544
Net position - unrestricted	28,926,064	28,388,930
Total liabilities and net position	\$ 31,506,936	\$ 31,082,474

AbilityWorks, Inc. (A Component Unit of the State of Mississippi) Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30,	2020	2019
Operating revenue	A 7 000 500	ć 7.500.000
Revenue from production	\$ 7,029,688	\$ 7,598,993
Medicaid waiver income	52,345,966	50,974,352
Administrative services and other	385,795	404,649
Total operating revenues	59,761,449	58,977,994
Operating expenses		
Cost of production	7,362,639	8,225,404
Medicaid waiver expenses	51,888,901	50,451,617
General and administrative expenses	6,502,359	5,915,295
Total operating expenses	65,753,899	64,592,316
Operating Loss	(5,992,450)	(5,614,322)
Nonoperating Revenues		
Interest income	27,225	38,510
Total nonoperating revenues	27,225	38,510
Loss before transfers	(5,965,225)	(5,575,812)
Transfers-in	6,502,359	5,915,295
Increase in net position	537,134	339,483
Net position - beginning of year	28,388,930	28,049,447
Net position - end of year	\$ 28,926,064	\$ 28,388,930

AbilityWorks, Inc. (A Component Unit of the State of Mississippi) Statements of Cash Flows

Years ended June 30,	2020		2019
Coch Floure From Opposition Activities			
Cash Flows From Operating Activities			7.066.070
Receipts from customers	\$. , ,	Ş	• •
Receipts for payroll processing	54,664,032		52,159,679
Other receipts	387,578		405,494
Payment to suppliers	(4,222,575)		(3,691,482)
Payments to employees	(9,993,265)		(10,490,466)
Payments for payroll processing	(51,888,901)		(50,451,617)
3			
Net cash used by operating activities	(3,665,259)		(4,201,522)
Cash Flows From Noncapital Financing Activities			
Transfers-in	6,502,359		5,915,295
X			
Net cash provided by non capital and related financing activities	6,502,359		5,915,295
Cash Flows From Investing Activities			
Interest income	27,225		38,510
Net cash provided by investing activities	27,225		38,510
Net increase (decrease) in cash	2,864,325		1,752,283
Cash at beginning of year	15,232,952		13,480,669
Cash at end of year	\$ 18,097,277	\$	15,232,952

(Continued)

AbilityWorks, Inc. (A Component Unit of the State of Mississippi) Statements of Cash Flows

Years ended June 30,	2020	2019
Reconciliation of Operating Loss to Net Cash Used		
by Operating Activities		
Operating loss	\$ (5,992,450)	\$ (5.614.322)
Adjustments to Reconcile Operating Loss to Net Cash	, (, , , , , , , , , , , , , , , , , ,	. (,, , ,
Used by Operating Activities		
Net effect of changes in assets and liabilities:		
Accounts receivable	359,967	268,722
Unbilled receivables	82,243	46,944
Interfund receivables	2,235,823	1,138,383
Inventories	(25,128)	(15,954)
Prepaid expenses and other	(213,042)	61,600
Accounts payable	(25,317)	(11,751)
Accrued expenses	(87,355)	(75,144)
Net cash used by operating activities	\$ (3,665,259)	\$ (4,201,522)

(Concluded)

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of AbilityWorks, Inc., (hereafter referred to as "AbilityWorks"), a component unit of the State of Mississippi, have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB"). The more significant of AbilityWorks' accounting policies follow.

Organization and Nature of Operations

AbilityWorks is a non-profit corporation owned and operated by the State of Mississippi, Department of Rehabilitation Services, Office of Vocational Rehabilitation (the "Division"). AbilityWorks was incorporated on July 18, 1969 with the granting of a charter by the State of Mississippi. Legal authority for AbilityWorks is granted under Section 37-33-101 of the Mississippi Code of 1972. AbilityWorks' purpose is to operate a statewide system of community rehabilitation programs through which citizens with disabilities receive work experience to prepare them for employment outside the workshop setting.

Currently, fifteen (15) AbilityWorks facilities are located in communities throughout Mississippi. These facilities provide work settings with realistic job stations where vocational evaluation, work adjustment, counseling, guidance and other services are provided. The Division funds some of the general and administrative expenses, such as staff payroll, rent, utilities, etc. The Division also provides all management necessary to administer AbilityWorks at no cost. Also, the Division transfers funds to the facilities on a monthly basis for additional expenses incurred as a result of expanded client services, such as maintenance to clients and incentive allowances.

Basis of Accounting

The accounts of AbilityWorks are reported using the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Inventories

Finished goods inventories are stated at the lower of manufacturing cost (first-in, first-out) or market (net realizable value). Purchased raw materials and supplies are stated at the lower of cost (first-in, first-out) or replacement market.

Revenue Recognition

Production revenue is recognized when the goods are shipped or the services performed.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating/Nonoperating Income

AbilityWorks has classified its revenue as either operating or non-operating revenues according to the following criteria:

<u>Operating revenues</u> – Operating revenues generally result from community rehabilitation programs in fifteen separate locations which provide a fee for service to production and manufacturing industries within each workshop's area. Medicaid Waiver income consists of net payroll income for processing payroll under the Medicaid Waiver program.

<u>Non-operating revenues</u> – Non-operating revenues are those revenues that do not meet the definition of operating revenues. Non-operating revenues include investment income.

Net Position Classifications

Restricted net position – Consists of net position amounts with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. There are no restrictions at June 30, 2020 or 2019.

Unrestricted net position – All other net position amounts that do not meet the definition of "restricted".

AbilityWorks utilizes restricted fund balances first, followed by unrestricted when available to use for the same purpose.

Interfund/Intrafund Transactions

Interfund represents transactions with a fund outside of AbilityWorks, while intrafund represents transactions within AbilityWorks. Interfund/intrafund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon combination. Services provided are treated as revenues and expenditures/expenses.

Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related expense as a reimbursement. All other interfund/intrafund transactions are treated as transfers. Intrafund balances have been eliminated and are not reflected in the basic financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Asset Purchases

Property and equipment purchased directly by the facilities are maintained by and considered property of the State of Mississippi. At time of purchase a corresponding transfer out is made to transfer the assets to the Mississippi Department of Rehabilitation Services.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

AbilityWorks is exempt from federal and state income taxes.

Investments

Investments consist of certificates of deposit which are carried at cost which approximates fair value.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes all checking and savings accounts.

Employee Benefits

AbilityWorks employees are not eligible to receive State of Mississippi benefits. In some cases, State of Mississippi employees work full time for AbilityWorks, however these workers are employees of and are provided employee benefits through the State of Mississippi. These employees are covered by the State of Mississippi Public Employee Retirement System ("PERS"), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. Disclosures regarding employee benefits are maintained and communicated within the State of Mississippi financial reports.

Additionally, employee benefit expenses are allocated to AbilityWorks through state paid expenditure transactions and are reported within the general and administrative expenses and cost of production schedules.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Medicaid Waiver income and expense is presented to reflect gross revenues and related gross expenses; related amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation.

Note 2: CONCENTRATIONS OF CREDIT AND OTHER RISKS

Financial instruments that potentially subject AbilityWorks to concentrations of credit risk consist of cash and cash equivalents, and accounts receivable. AbilityWorks receives substantial support in the form of financial assistance from the State of Mississippi, the loss of which could have a material effect on the continuation of operations. Accounts receivable are due from customers in numerous industries within the State of Mississippi. Each facility monitors the credit worthiness of its customers to limit credit risk.

AbilityWorks maintains cash balances at various financial institutions. Accounts at each institution are insured up to \$250,000 by the Federal Deposit Insurance Corporation ("FDIC"). Amounts in excess of \$250,000 are collateralized by certain assets pledged by the financial institution's trust department in AbilityWorks' name. In addition, AbilityWorks has minimized credit risk by depositing cash and cash equivalents in banks with a high credit standing. AbilityWorks has not experienced any losses of such funds and management believes exposure to significant credit risk on cash and cash equivalents is minimal.

During June 30, 2020, AbilityWorks received significant receipts from Medicaid that comprised approximately 88% of its annual operating revenue. During 2019, Abilityworks Medicaid comprised of approximately 86% of its annual operating revenue.

Note 3: INVESTMENTS - CERTIFICATE OF DEPOSIT

Investments at June 30, 2020 and 2019, consist of a non-negotiable certificate of deposit totaling \$170,688 and \$168,907, respectively, which matures in February 2021. The certificate of deposit is measured using level 1 inputs. Level 1 inputs are those considered to have a readily observable, transparent price in an active market. Interest received on the certificate of deposit was \$1,781 and \$845 for the years ending June 30, 2020 and 2019, respectively.

Note 4: ACCOUNTS RECEIVABLE

A summary of accounts receivable follows:

June 30,	2020	2019
Trade receivable	\$ 823,878	\$ 1,183,845
Accounts receivable, net	\$ 823,878	\$ 1,183,845

All receivable are deemed to be 100% collectible, therefore no allowance for doubtful accounts has been recorded for the years ended June 30, 2020 and 2019.

Note 5: UNBILLED RECEIVABLES

Unbilled receivables are the total amount for payroll processing services rendered but not yet invoiced, related to the Medicaid Waiver program. Unbilled receivables totaled \$2,050,854 and \$2,133,097 for the years ended June 30, 2020 and 2019, respectively.

Note 6: INTERFUND RECEIVABLES

Interfund receivables/payables related to payroll processing and other services provided to the agencies of the State of Mississippi consist of the following:

June 30,	2020	2019
Interfund receivables		
Department of Rehabilitation Services		
Office of Special Disability Programs	\$ 7,188,698 \$	8,631,516
Spinal Cord Trauma Brain Injury	3,205,285	3,891,593
Office of Vocational Rehabilitation	82,654	182,564
Rehabilitation Services	(1,100,000)	(1,100,000)
Mississippi Department of Transportation	186	700
University of Mississippi Medical Center	1,213	7,483
Mississippi Department of Human Services	1,602	1,605
	\$ 9,379,638 \$	11,615,461

Note 7: INVENTORIES

A summary of inventories follows:

June 30,	2020	2019
Finished goods Raw materials and supplies	\$ 85,050 145,71	86,650 118,990
Total inventories	\$ 230,768	\$ 205,640

Note 8: RELATED PARTY TRANSACTIONS

Net transfers-in of \$6,502,359 and \$5,915,295 during June 30, 2020 and 2019 represent general and administrative expenses paid on behalf of the AbilityWorks' facilities by the State of Mississippi Department of Rehabilitation Services. Transfers-in are from sources as follows:

Years ended June 30,	2020	2019
MDRS - general and administrative expenses	\$ 6,502,359	\$ 5,915,295
Total operating transfers	\$ 6,502,359	

Note 9: FACILITIES

Production facilities utilized by six AbilityWorks locations are provided without rent by the counties in which the facilities are located. The other nine facilities reported rent expense of \$497,010 and \$497,906 for the year ended June 30, 2020 and 2019 under cancellable operating leases. AbilityWorks offset a portion of the rent expense by charging state agencies which occupied space in the facilities an allocated portion of the related rent expense. For the year ended, June 30, 2020 and 2019, the amount charged and offset against rent expense was \$178,080 and \$254,906, respectively.

Note 10: SUBSEQUENT EVENTS

Management has evaluated events through December 4, 2020, the date on which the financial statements were available to be issued. During the period from the end of the year and through this date, no circumstances occurred that require additional recognition or disclosure in the financial statements.

Note 10: SUBSEQUENT EVENTS (Continued)

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

SUPPLEMENTARY INFORMATION

AbilityWorks, Inc. Schedules of Cost of Production Year Ended June 30, 2020

Years ended June 30,	2020	2019
Bank charges	\$ 10,658	\$ 13,264
Commissions	122,137	138,504
Employee benefits	898,613	956,513
Equipment repair and maintenance	190,453	225,585
Facility repair and maintenance	244,929	157,925
General shop and tools	49,283	47,616
Marketing	22,548	25,603
Miscellaneous	128,266	116,149
Opportunity wages production	1,309,826	1,475,797
Other administrative expenses	55,051	-
Professional fees	182,776	264,373
Rent	178,080	254,906
Salaries, non-client employees	2,708,042	3,126,707
Supplies	1,084,356	1,237,373
Uniforms	63,036	44,645
Vehicle expense	114,585	140,444
Total cost of production	\$ 7,362,639	\$ 8,225,404

AbilityWorks, Inc. Schedules of General and Administrative Expenses Year Ended June 30, 2020

Years ended June 30,	2020	2019
Client transportation	\$ 367,450	\$ 441,615
Commodities	146,756	26,215
Community based	122,890	172,662
Contractual services	629,629	399,150
Equipment related expenses	245,397	17,117
Salaries and related expenses	4,989,429	4,856,305
Travel	808	2,231
Total general and administrative expenses	\$ 6,502,359	\$ 5,915,295

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations Year Ended June 30, 2020

Year ended June 30, 2020

	Total per the Statement of Revenues, Expenses, and Changes in Net Assets			Total Cost of Operations for Year in Relation to			
				Clients Served		Client	
						Days	
Cost of production	\$		\$	5,430	\$	167	
General and administrative expenses		6,502,359		4,795		148	
Total operating cost		13,864,998		10,225		315	
Less operating revenue - excluding Medicaid							
waiver income and expenses		7,415,483		5,469		168	
Total operating cost, net of revenue							
and other operating revenue		6,449,515		4,756		146	
Nonoperating (revenue) expense		27,225		20			
Net operating cost after							
nonoperating (revenue) expense	\$	6,476,740	\$	4,776	\$	146	
Net for the year ended June 30, 2020:		405					
Average daily attendance		186					
Clients served		1,356					
Client days		44,057	•				
Average length of stay per client in days	-	ent days ents served		32			

^{*} Total operating costs after nonoperating expense does not include payroll processing income and payroll processing expenses. These items are not related to clients serviced and employed data and are appropriately not included in the above analysis.

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations Year Ended June 30, 2019

Year en	ded .	lune	30,	2019)
---------	-------	------	-----	------	---

		Total per the Statement of Revenues,		otal Cost o		
		Expenses, and Changes		Clients		Client
		in Net Assets		Served		Days
Cost of production	\$	8,225,404	\$	4,392	¢	147
General and administrative expenses	Ţ	5,915,295	Ą	3,158	Y	105
Total operating cost Less revenue and other operating		14,140,699		7,550		252
income		8,003,642		4,273		143
Total operating cost, net of revenue and other operating revenue Nonoperating (revenue) expense		6,137,057 38,510		3,277 21		109
Net operating cost after nonoperating (revenue) expense	\$	6,175,567	\$	3,297	\$	109
Net for the year ended June 30, 2019: Average daily attendance Clients served		279 1,873				
Client days	M====	56,127				
Average length of stay per dient in days		ent days ents served		30		

^{*} Total operating costs after nonoperating expense does not include payroll processing income and payroll processing expenses. These items are not related to clients serviced and employed data and are appropriately not included in the above analysis.



Carr, Riggs & Ingram, LLC 400 West Parkway Place Suite 300 Ridgeland, MS 39157

Mailing Address: PO Box 2418 Ridgeland, MS 39158

601.853.7050 601.853.9331 (fax) CRicpa.com

INDEPENDENT AUDITORS' 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

AbilityWorks, Inc.
Madison, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of AbilityWorks, Inc., a component unit of the State of Mississippi as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise AbilityWorks, Inc., basic financial statements and have issued our report thereon dated December 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AbilityWorks, Inc. internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AbilityWorks, Inc., a component unit of the State of Mississippi internal control. Accordingly, we do not express an opinion on the effectiveness of AbilityWorks, Inc. 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 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 the attention of 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



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AbilityWorks, Inc. basic financial statements are free of 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 determination of financial statement amounts. 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 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 result of that testing, and is not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AbilityWorks, Inc.'s (a component unit of the State of Mississippi) internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CARR, RIGGS & INGRAM, LLC

Can Rigge & Ingram, L.L.C.

Ridgeland, Mississippi December 4, 2020