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

FINANCIAL STATEMENTS

June 30, 2021 and 2020

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REPORT

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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, 2021 and 2020, 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, 2021 and 2020, 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 4-8 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 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 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 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 27, 2021, 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.

Can Rigge & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi December 27, 2021

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, 2021 and 2020.

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, basic financial statements.

Financial Highlights

- Total net position for AbilityWorks at year end was reported at \$29,437,418, which was an increase of \$511,354, or 2%, from the prior fiscal year.
- Operating revenues for fiscal year 2021 decrease \$2,412,103, or 4%, from fiscal year 2020 due to less revenue from production.
- Total expenses decreased 4.6%, or \$3,047,211, from 2020 to 2021 due to a decrease in Medicaid waiver payroll. "Cost of production" decreased \$119,591, "general and administrative expenses" decreased \$656,561.
- Transfers-in decreased \$656,561, 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.

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.

Financial Analysis

Statement	of Net Position
	Governmental Activities
June 30,	2021 2020
Current and other assets	\$ 32,237,115 \$ 31,506,936
Current and other liabilities	2,799,697 2,580,872
Net Position: Unrestricted	\$ 29.437.418 \$ 28.926.064

Table 1 Statements of Net Position

- Current and other assets increased \$730,179, of this amount:
 - o Cash" decreased \$3,859,462.
 - o Investments CD increased \$1,051.
 - The Accounts receivables, net account increased \$102,643. 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, 2021 and 2020, 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.
 - The Unbilled receivables account, which involved the Medicaid Waiver for payroll processing services, increased \$82,008 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 increase in this account was due to invoices being submitted in a more timely manner.
 - The Interfund receivables account increased by \$4,314,852 or 46%. 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 \$84,037. This is due to more inventory on hand based on an increase in the demand for products.
- Current liabilities increased \$218,825. Of this amount:
 - o The accounts payable account increased \$86,367.
 - o The accrued expenses account increased \$132,458. The increase is related to the payroll accrual for the fiscal year ended June 30, 2021 had an extra day than previous year's accrual.

Financial Analysis (Continued)

	Governm	ental	Activities
Year ended June 30,	2021		2020
Revenues	×		
Operating revenues			
Revenue from production	\$ 6,828,24	5\$	7,029,688
Medicaid waiver income	50,105,28	5	52,345,966
Other	384,57		385,795
Nonoperating revenues			
Investment income	22,89	8	27,225
Total revenues	57,341,00	3	59,788,674
Expenses			
Cost of production	7,211,80	7	7,362,639
Medicaid waiver expense	49,617,84	2	51,888,901
General and administrative	5,845,79	8	6,502,359
Total expenditures	62,675,44	7	65,753,899
Transfers			
Transfers-in	5,845,79	8	6,502,359
Total transfers (net)	5,845,79	8	6,502,359
Increase in net position	511,35	4	537,134
Net position - beginning of year	28,926,06	4	28,388,930
Net position - ending	\$ 29,437,41	8\$	28,926,064

Table 2 Statements of Revenue, Expenses and Changes in Net Position

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 2021. These facilities are as follows: Meridian, Harrison County and Jackson.
- The decrease reported in the Medicaid Waiver income account was \$2,240,681 and is mainly due to a decrease in 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 in fiscal year 2021.
- There was a 10% decrease 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.

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.



FINANCIAL STATEMENTS



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

June 30,	2021	2020
Assets		
Current Assets		
Cash	\$ 14,237,815	\$ 18,097,277
Investment - certificate of deposit	171,739	170,688
Accounts receivable, net	926,521	823,878
Unbilled receivables	2,132,862	2,050,854
Interfund receivables	13,694,490	9,379,638
Inventories	314,805	230,768
Prepaid expenses and other	758,883	753,833
Total assets	\$ 32,237,115	\$ 31,506,936
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 301,594	\$ 215,227
Accrued expenses	2,498,103	2,365,645
Total current liabilities	2,799,697	2,580,872
Net position - unrestricted	29,437,418	28,926,064
Total liabilities and net position	\$ 32,237,115	\$ 31,506,936

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

Years ended June 30,	2021	2020
Operating revenue		
Revenue from production	\$ 6,828,245	\$ 7,029,688
Medicaid waiver income		
	50,105,285	52,345,966
Administrative services and other	384,575	385,795
Total operating revenues	57,318,105	59,761,449
Operating expenses		
Cost of production	7,211,807	7,362,639
Medicaid waiver expenses	49,617,842	51,888,901
General and administrative expenses	5,845,798	6,502,359
Total operating expenses	62,675,447	65,753,899
Operating Loss	(5,357,342)	(5,992,450)
Nonoperating Revenues		
Interest income	22,898	27,225
Total nonoperating revenues	22,898	27,225
Loss before transfers	(5,334,444)	(5,965,225)
Transfers-in	5,845,798	6,502,359
Increase in net position	511,354	537,134
Net position - beginning of year	28,926,064	28,388,930
Net position - end of year	\$ 29,437,418	\$ 28,926,064

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

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

Years ended June 30,	2021	2020
Cash Flows From Operating Activities		
Receipts from customers	\$ 6,723,819	\$ 7,387,872
Receipts for payroll processing	45,708,425	54,664,032
Other receipts	417,599	387,578
Payment to suppliers	(3,754,365)	(4,222,575)
Payments to employees	(9,205,794)	(9,993,265)
Payments for payroll processing	(49,617,842)	(51,888,901)
Net cash used by operating activities	(9,728,158)	(3,665,259)
Cash Flows From Noncapital Financing Activities Transfers-in	5,845,798	6,502,359
Net cash provided by non capital and related financing activities	5,845,798	6,502,359
Cash Flows From Investing Activities		
Interest income	22,898	27,225
Net cash provided by investing activities	22,898	27,225
Net increase (decrease) in cash	(3,859,462)	2,864,325
Cash at beginning of year	18,097,277	15,232,952
Cash at end of year	\$ 14,237,815	\$ 18,097,277

(Continued)

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

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

Years ended June 30,	2021	2020
Reconciliation of Operating Loss to Net Cash Used		
by Operating Activities		
Operating loss	\$ (5,357,342)	\$ (5,992,450)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities		
Net effect of changes in assets and liabilities:		
Accounts receivable	(102,643)	359,967
Unbilled receivables	(82,008)	82,243
Interfund receivables	(4,314,852)	2,235,823
Inventories	(84,037)	(25,128)
Prepaid expenses and other	(6,101)	(213,042)
Accounts payable	86,367	(25,317)
Accrued expenses	132,458	(87,355)
Net cash used by operating activities	\$ (9,728,158)	\$ (3,665,259)

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of AbilityWorks, Inc., ("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

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, 2021 or 2020.

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 and transactions have been eliminated and are not reflected in the basic financial statements.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, 2021, AbilityWorks received significant receipts from Medicaid that comprised approximately 87% of its annual operating revenue. During 2020, Abilityworks Medicaid comprised of approximately 88% of its annual operating revenue.

Note 3: INVESTMENTS – CERTIFICATE OF DEPOSIT

Investments at June 30, 2021 and 2020, consist of a non-negotiable certificate of deposit totaling \$171,739 and \$170,688, respectively, which matures in February 2022. 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 \$1,051 and \$1,781 for the years ending June 30, 2021 and 2020, respectively.

Note 4: ACCOUNTS RECEIVABLE

A summary of accounts receivable follows:

June 30,	 2021	 2020	
Trade receivable	\$ 926,521	\$ 823,878	
Accounts receivable, net	\$ 926,521	\$ 823,878	

All receivable are deemed to be 100% collectible, therefore no allowance for doubtful accounts has been recorded as of years ended June 30, 2021 and 2020.

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 \$2,132,862 and \$2,050,854 for the years ended June 30, 2021 and 2020, 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,	 2021	2020
Interfund receivables		
Department of Rehabilitation Services		
Office of Special Disability Programs	\$ 8,781,628 \$	7,188,698
Spinal Cord Trauma Brain Injury	5,855,021	3,205,285
Office of Vocational Rehabilitation	 157,841	82,654
Rehabilitation Services	(1,100,000)	(1,100,000)
Mississippi Department of Transportation	8 8 1	186
University of Mississippi Medical Center	-	1,213
Mississippi Department of Human Services	 •	1,602
<u>.</u>	\$ 13,694,49 0 \$	9,379,638

Note 7: INVENTORIES

A summary of inventories follows:

June 30,		 2021	2020
Finished goods		\$ 107,087 \$	85,056
Raw materials and supplies		 207,718	145,712
Total inventories	÷	\$ 314,805 \$	230,768

Note 8: RELATED PARTY TRANSACTIONS

Net transfers-in of \$5,845,798 and \$6,502,359 during the years ended June 30, 2021 and 2020 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,	 2021	2020
MDRS - general and administrative expenses	\$ 5,845,798	\$ 6,502,359
Total operating transfers	\$ 5,845,798	\$ 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 \$363,102 and \$497,010 for the years ended June 30, 2021 and 2020 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, 2021 and 2020, the amount charged and offset against rent expense was \$130,353 and \$178,080, respectively.

Note 10: UNCERTAINTIES

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.

Note 11: SUBSEQUENT EVENTS

Management has evaluated events through December 27, 2021, 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.

SUPPLEMENTARY INFORMATION

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AbilityWorks, Inc. Schedules of Cost of Production Year Ended June 30, 2021

Years ended June 30,	 2021	2020
Bank charges	\$ 11,639	\$ 10,658
Commissions	131,890	122,137
Employee benefits	780,270	898,613
Equipment repair and maintenance	215,535	190,453
Facility repair and maintenance	163,066	244,929
General shop and tools	52,473	49,283
Marketing	13,820	22,548
Miscellaneous	340,135	128,266
Opportunity wages production	958,012	1,309,826
Other administrative expenses	270,225	55,051
Professional fees	184,592	182,776
Rent	232,748	178,080
Salaries, non-client employees	2,545,089	2,708,042
Supplies	1,140,094	1,084,356
Uniforms	66,785	63,036
Vehicle expense	105,434	114,585
Total cost of production	\$ 7,211,807	\$ 7,362,639

AbilityWorks, Inc. Schedules of General and Administrative Expenses Year Ended June 30, 2021

Years ended June 30,	2021		2020
Client transportation	\$ 211,632	\$	367,450
Commodities	36,853		146,756
Community based	82,560		122,890
Contractual services	466,634		629,629
Equipment related expenses	7,327		245,397
Salaries and related expenses	5,040,749		4,989,429
Travel	43	_	808
Total general and administrative expenses	\$ 5,845,798	\$	6,502,359

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations Year Ended June 30, 2021

		otal per the atement of Revenues, Expenses,		Total Cost of Operation for Year in Relation to			
	а	nd Changes		Clients	Client		
		Net Assets		Served	Days		
Cost of production	ć	7,211,807	ć	6,975	ć	246	
General and administrative expenses	Ş	5,845,798	Ş	5,654	Ş	199	
Total operating cost	-	13,057,605		12,628		445	
Less operating revenue - excluding Medicaid	-	13,037,003		12,020		44J	
waiver income and expenses		7,212,820		6,976		246	
Total operating cost, net of revenue		,,,	_	0,010			
and other operating revenue		5,844,785		5,653		199	
Nonoperating (revenue) expense		22,898		22		-	
(A.)							
Net operating cost after							
nonoperating (revenue) expense	\$	5,867,683	\$	5,675	\$	199	
Net for the year ended June 30, 2021:							
Average daily attendance		123					
Clients served		1,034					
Client days		29,345					
Average length of stay per client in days	-	ent days ents served	ŝ	28			

Year ended June 30, 2021

* 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 employee data and are appropriately not included in the above analysis.

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

		Total per the Statement of Revenues, Expenses,	Total Cost of Oper for Year in Relati				
		and Changes Clients in Net Assets Served				Client	
					_	Days	
Cost of production	\$	7 262 620	Ś	E 420	ć	167	
	Ş	7,362,639	Ş	5,430	Ş		
General and administrative expenses		6,502,359		4,795		<u>148</u> 315	
Total operating cost		13,864,998		10,225		212	
Less revenue and other operating income				F 4C0		100	
	-	7,415,483	-	5,469		168	
Total operating cost, net of revenue				4 75 6			
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	
		2	10 31				
Net for the year ended June 30, 2020:							
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			

Year ended June 30, 2020

* 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 employee data and are appropriately not included in the above analysis.



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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 AbilityWorks, Inc., a component unit of the State of Mississippi as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise AbilityWorks, Inc., basic financial statements and have issued our report thereon dated December 27, 2021.

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) as a basis for designing 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 such that such as a material 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 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.

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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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

Can, Rigge & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi December 27, 2021

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

SEPARATE REPORT ON SUPPLEMENTARY INFORMATION

June 30, 2021

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INDEPENDENT AUDITORS' REPORT ON THE SUPPLEMENTARY INFORMATION

The Board of Directors AbilityWorks, Inc. Madison, Mississippi

We have audited the financial statements of AbilityWorks, Inc., a component unit of the State of Mississippi, as of and for the years ended June 30, 2021 and 2020, and have issued our report thereon, dated December 27, 2021, which contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to December 27, 2021.

The accompanying schedules of statistical analysis of operations are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Can, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, LLC

Ridgeland, Mississippi December 27, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Combined Year Ended June 30, 2021 (Unaudited)

	State Re E and	Total per the Statement of Revenues, Expenses, and Changes in Net Assets		Fotal Cost of for Year in Clients	tion to Client	
		el Assels		Served	-	Days
Cost of production	\$7,	211,807	\$	6,975	\$	246
General and administrative expenses		845,798		5,654	•	199
Total operating cost	13,	.057,605		12,628		445
Less operating revenue - excluding Medicaid						
waiver income and expenses	7,	212,820		6,976		246
Total operating cost, net of revenue						
and other operating revenue	5,	844,785		5,653		199
Nonoperating (revenue) expense		22,898		22		ž.
Net operating cost after						
nonoperating (revenue) expense	\$5,	,867,683	\$	5,675	\$	199
Net for the year ended June 30, 2021:						
Average daily attendance		123				κ.
Clients served		1,034				
Client days		29,345				
Average length of stay per client in days	Client Client	days s served		28		

Year ended June 30, 2021

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

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Kosciusko Year Ended June 30, 2021 (Unaudited)

					for Year in Relatio	
Cost of production	\$	82 220	ć	1 5 4 1	ć	93
Cost of production General and administrative expenses	Ş	83,220 313,777	Ş	1,541 5,811	Ş	350
Total operating cost		396,997		7,352		443
Less revenue and other operating		330,337		7,552		
income		107,356		1,988		120
Total operating cost, net of revenue						
and other operating revenue		289,641		5,364		323
Nonoperating (revenue) expense				-		-
Net operating cost after nonoperating (revenue) expense	\$	289,641	\$	5,364	\$	323
Net for the year ended June 30, 2021: Average daily attendance Clients served Client days Average length of stay per client in days		5 54 897 ent days ents served		17		

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Brookhaven Year Ended June 30, 2021 (Unaudited)

	Total per the Statement of Revenues,		Total Cost of Oper for Year in Relati				
		Expenses, and Changes n Net Assets		Clients Served		Client Days	
Cost of production General and administrative expenses	\$	289,703 341,176	\$	2,162 2,546	\$	153 180	
Total operating cost Less revenue and other operating		630,879		4,708		333	
income	-	189,962	_	1,418		100	
Total operating cost, net of revenue and other operating revenue Nonoperating (revenue) expense		440,917		3,290		233	
Net operating cost after nonoperating (revenue) expense	\$	440,917	\$	3,290	\$	233	
Net for the year ended June 30, 2021: Average daily attendance		8					
Clients served Client days	-	134 1,896					
Average length of stay per client in days	-	nt days Its served		14			

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Columbus Year Ended June 30, 2021 (Unaudited)

		Total per the Statement of Revenues, Expenses, and Changes in Net Assets		otal Cost o for Year in Clients Served	•	
Cost of production	\$	292,925	\$	17,231	\$	448
General and administrative expenses	_	339,316		19,960		519
Total operating cost Less revenue and other operating		632,241		37,191		967
income		190,158		11,186		291
Total operating cost, net of revenue						
and other operating revenue		442,083		26,005		676
Nonoperating (revenue) expense		-		Ē.		
Net operating cost after nonoperating (revenue) expense	\$	442,083	\$	26,005	\$	676
Net for the year ended June 30, 2021: Average daily attendance		3				
Clients served Client days	-	17 654	e.			
Average length of stay per client in days		ent days ents served		38		

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Corinth Year Ended June 30, 2021 (Unaudited)

ik.		Total per the Statement of Revenues, Expenses, and Changes in Net Assets		otal Cost of for Year in Clients Served		
Cost of production	\$	260,264	\$	4,487	\$	148
General and administrative expenses		398,679		6,874		227
Total operating cost		658,943		11,361		376
Less revenue and other operating		300,307		5,178		171
Total operating cost, net of revenue		300,307		5,170		
and other operating revenue		358,636		6,183		204
Nonoperating (revenue) expense		-		-	_	-
Net operating cost after nonoperating (revenue) expense	\$	358,636	\$	6,183	\$	204
Net for the year ended June 30, 2021:						
Average daily attendance		7				
Clients served Client days	-	58 1,754	0			
Average length of stay per client in days		ent days ents served		30		

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Greenwood Year Ended June 30, 2021 (Unaudited)

	Total per the Statement of Revenues, Expenses, and Changes in Net Assets	-	Total Cost of for Year in Clients Served	-	
Cost of production	\$	\$	11,316	\$	468
General and administrative expenses	 423,606	_	13,665		565
Total operating cost Less revenue and other operating	774,407		24,981		1,033
income	388,666		12,538		518
Total operating cost, net of revenue and other operating revenue Nonoperating (revenue) expense	385,741 -		12,443		514
Net operating cost after nonoperating (revenue) expense	\$ 385,741	\$	12,443	\$	514
Net for the year ended June 30, 2021: Average daily attendance	3				
Clients served Client days	 31 750				
Average length of stay per client in days	 ent days ents served		24		

Year ended June 30, 2021

See Independent Auditors' Report on the Supplementary Information.

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AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Harrison County Year Ended June 30, 2021 (Unaudited)

	Total per the Statement of Revenues, Expenses, and Changes	Total Cost of Op for Year in Rela Clients			
	 in Net Assets		Served		Days
Cost of production General and administrative expenses	\$ 1,417,387 499,407	\$	16,481 5,807	\$	619 218
Total operating cost	1,916,794		22,288		837
Less revenue and other operating income	1,564,637		18,193		684
Total operating cost, net of revenue and other operating revenue Nonoperating (revenue) expense	352,157		4,095		154
Net operating cost after nonoperating (revenue) expense	\$ 352,157	\$	4,095	\$	154
Net for the year ended June 30, 2021: Average daily attendance	9				
Clients served Client days	 86 2,289	el.			
Average length of stay per client in days	 ent days ents served	e l	27		

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Hattiesburg Year Ended June 30, 2021 (Unaudited)

		Total per the Statement of Revenues, Expenses, and Changes in Net Assets	1	Fotal Cost of for Year in I Clients Served	-	
Cost of production	\$	213,618	Ś	3,338	Ś	89
General and administrative expenses	Ŧ	319,468	Ŧ	4,992	Ŧ	133
Total operating cost		533,086		8,329		222
Less revenue and other operating		·		·		
income		120,695		1,886		50
Total operating cost, net of revenue		ίλ				
and other operating revenue		412,391		6,444		171
Nonoperating (revenue) expense				-		
Net operating cost after nonoperating (revenue) expense	\$	412,391	\$	6,444	\$	171
Net for the year ended June 30, 2021: Average daily attendance		10				
Clients served Client days		64 2,405				
Average length of stay per client in days		ent days ents served		38		

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Jackson Year Ended June 30, 2021 (Unaudited)

		Total per the Statement of Revenues,	· · · · · · · · · · · · · · · · · · ·				
		Expenses, and Changes in Net Assets		Clients Served		Client Days	
Cost of production General and administrative expenses	\$	1,388,992 532,188	\$	12,292 4,710	\$	471 180	
Total operating cost		1,921,180	_	17,002		651	
Less revenue and other operating							
income		1,413,251		12,507		479	
Total operating cost, net of revenue							
and other operating revenue		507,929		4,495		172	
Nonoperating (revenue) expense	_	22,898		203		8	
Net operating cost after							
nonoperating (revenue) expense	\$	530,827	\$	4,698	\$	180	
Net for the year ended June 30, 2021: Average daily attendance		13					
Clients served Client days	_	113 2,951					
Average length of stay per client in days		ent days ents served		26			

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Laurel Year Ended June 30, 2021 (Unaudited)

	Total per the Statement of Revenues,	otal Cost of for Year in			
	 Expenses, and Changes in Net Assets	 Clients Served		Client Days	
Cost of production General and administrative expenses	\$ 248,272 331,786	\$ 6,207 8,295	\$	140 187	
Total operating cost Less revenue and other operating	580,058	14,501		326	
income	230,017	 5,750		129	
Total operating cost, net of revenue and other operating revenue Nonoperating (revenue) expense	350,041	8,751		197	
Net operating cost after nonoperating (revenue) expense	\$ 350,041	\$ 8,751	\$	197	
Net for the year ended June 30, 2021: Average daily attendance	8				
Clients served Client days	 40 1,778				
Average length of stay per client in days	 ent days ents served	44			

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Meridian Year Ended June 30, 2021 (Unaudited)

	Total per the Statement of Revenues, Expenses, and Changes in Net Assets		Fotal Cost of for Year in Clients Served	-	
Cost of production	\$ 876,651	\$	13,283	\$	474
General and administrative expenses	 361,645	_	5,479		196
Total operating cost Less revenue and other operating	1,238,296		18,762		670
income	1,023,651		15,510		554
Total operating cost, net of revenue					
and other operating revenue	214,645		3,252		116
Nonoperating (revenue) expense	 -	_	•	_	-
Net operating cost after nonoperating (revenue) expense	\$ 214,645	\$	3,252	\$	116
Net for the year ended June 30, 2021: Average daily attendance	8				
Clients served Client days	 66 1,848	ē			
Average length of stay per client in days	 ent days ents served	e	28		

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Olive Branch Year Ended June 30, 2021 (Unaudited)

		Total per the Statement of Revenues, Expenses, and Changes in Net Assets		otal Cost o for Year in Clients Served	•	
Cost of production	\$	414,209	\$	4,761	ć	83
General and administrative expenses	Ş	524,446	Ş	6,028	Ş	105
Total operating cost		938,655		10,789		188
Less revenue and other operating		530,055		10,705		100
income		507,718		5,836		102
Total operating cost, net of revenue		,	-			
and other operating revenue		430,937		4,953		86
Nonoperating (revenue) expense		-		*		
Net operating cost after nonoperating (revenue) expense	\$	430,937	\$	4,953	\$	86
Net for the year ended June 30, 2021:						
Average daily attendance		20				
Clients served		87				
Client days		4,995				
Average length of stay per client in days	-	ent days ents served		57		

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Oxford Year Ended June 30, 2021 (Unaudited)

		Total per the Statement of Revenues,		otal Cost o for Year in		
		Expenses, and Changes in Net Assets		Clients Served		Client Days
Cost of production General and administrative expenses	\$	251,027 302,331	\$	3,303 3,978	\$	111 134
Total operating cost Less revenue and other operating	1	553,358		7,281		245
income		307,005		4,040		136
Total operating cost, net of revenue and other operating revenue Nonoperating (revenue) expense		246,353		3,241		109
Net operating cost after nonoperating (revenue) expense	\$	246,353	\$	3,241	\$	109
Net for the year ended June 30, 2021: Average daily attendance		9				
Clients served Client days		76 2,258	è.			
Average length of stay per client in days		ent days ents served		30		

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Starkville Year Ended June 30, 2021 (Unaudited)

		Total per the Statement of Revenues, Expenses, and Changes in Net Assets	T	fotal Cost of for Year in Clients Served	•	
Cost of production	\$	533,662	\$	10,464	\$	429
General and administrative expenses	_	453,490		8,892		364
Total operating cost Less revenue and other operating		987,152		19,356		793
income		445,477		8,735		358
Total operating cost, net of revenue						
and other operating revenue		541,675		10,621		435
Nonoperating (revenue) expense		-	_			
Net operating cost after nonoperating (revenue) expense	\$	541,675	\$	10,621	\$	435
Net for the year ended June 30, 2021: Average daily attendance		5				
Clients served Client days	-	51 1,245				
Average length of stay per client in days		nt days nts served		24		

Year ended June 30, 2021

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Tupelo Year Ended June 30, 2021 (Unaudited)

		Total per the Statement of Revenues,		otal Cost o for Year in	•	•	
		Expenses, and Changes in Net Assets		Clients Served		Client Days	
Cost of production General and administrative expenses	\$	382,368 443,496	\$	5,098 5,913	\$	162 188	
Total operating cost Less revenue and other operating		825,864		11,012		349	
income		272,729		3,636		115	
Total operating cost, net of revenue and other operating revenue Nonoperating (revenue) expense		553,135		7,375		234	
Net operating cost after nonoperating (revenue) expense	\$	553,135	\$	7,375	\$	234	
Net for the year ended June 30, 2021: Average daily attendance		10					
Clients served Client days	-	75 2,365	é.				
Average length of stay per client in days		ent days ents served	l.	32			

Year ended June 30, 2021

*

AbilityWorks, Inc. Schedule of Statistical Analysis of Operations – Washington County Year Ended June 30, 2021 (Unaudited)

		Total per the Statement of Revenues, Expenses, and Changes in Net Assets	otal Cost of for Year in Clients Served	•	
Cost of production	\$	208,712	\$ 2,545	\$	166
General and administrative expenses		260,987	3,183		207
Total operating cost Less revenue and other operating		469,699	5,728		373
income		150,698	1,838		120
Total operating cost, net of revenue and other operating revenue		319,001	3,890		253
Nonoperating (revenue) expense					-
Net operating cost after nonoperating (revenue) expense	\$	319,001	\$ 3,890	\$	253
Net for the year ended June 30, 2021: Average daily attendance		5			
Clients served Client days	_	82 1,260			
Average length of stay per client in days		nt days nts served	15		

Year ended June 30, 2021