

Return of Organization Exempt from Income Tax

2001

Under Section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2001 calendar year, or tax year beginning 9/01, 2001, and ending 8/31, 20 02

B Check if applicable: Address change, Name change, Initial return, Final return, Amended return, Application pending. ABILITY ACADEMY INC, 7527 CUVIER ST, LA JOLLA, CA 92037. D Employer Identification Number 33-0426677. E Telephone number 858-454-1972. F Accounting method X Cash Accrual.

G Web site: N/A. H and I are not applicable to Section 527 organizations. H (a) Is this a group return for affiliates? No. H (b) If 'yes,' enter number of affiliates. H (c) Are all affiliates included? No. H (d) Is this a separate return filed by an organization covered by a group ruling? No.

J Organization type (check only one) X 501(c) 3 (insert no) 4947(a)(1) or 527. K Check here if the organization's gross receipts are normally not more than \$25,000. L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12 620,761.

M Check if the organization is not required to attach Schedule B (Form 990, 990 EZ, or 990 PF). I Enter 4-digit group GEN. Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ).

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (see instructions)

Table with 21 rows and 4 columns: Description, (A) Securities, (B) Other, Amount. Includes rows for Contributions, Program service revenue, Membership dues, Interest on savings, Dividends, Gross rents, Net rental income, Other investment income, Gross amount from sales of assets, Special events, Cross sales of inventory, Other revenue, Total revenue, Program services, Management and general, Fundraising, Payments to affiliates, Total expenses, Excess or (deficit) for the year, Net assets or fund balances at beginning/end of year.

SCANNED AUG 20 2003

RECEIVED AUG 12 2003

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Handwritten signature/initials.

Part II Statement of Functional Expenses All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22 Grants and allocations (att sch) (cash \$ _____ non cash \$ _____)	22				
23 Specific assistance to individuals (att sch)	23				
24 Benefits paid to or for members (att sch)	24				
25 Compensation of officers, directors, etc	25	63,320		63,320	
26 Other salaries and wages	26	147,701	147,701		
27 Pension plan contributions	27				
28 Other employee benefits	28				
29 Payroll taxes	29	17,373	12,162	5,211	
30 Professional fundraising fees	30				
31 Accounting fees	31	600		600	
32 Legal fees	32	5,297		5,297	
33 Supplies	33	40,574	32,829	7,745	
34 Telephone	34				
35 Postage and shipping	35	6,513		6,513	
36 Occupancy	36	102,850	102,850		
37 Equipment rental and maintenance	37	9,572		9,572	
38 Printing and publications	38	2,236	2,236		
39 Travel	39	16,550	16,550		
40 Conferences, conventions, and meetings	40				
41 Interest	41	1,730		1,730	
42 Depreciation, depletion, etc (attach schedule)	42	6,962	6,962		
43 Other expenses not covered above (itemize)					
a SEE STATEMENT 2	43a	174,475	137,600	36,875	
b -----	43b				
c -----	43c				
d -----	43d				
e -----	43e				
44 Total functional expenses (add lines 22-43) Organizations completing columns (B) (D), carry these totals to lines 13-15	44	595,753	458,890	136,863	0

Joint Costs Check if you are following SOP 98 2
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If 'Yes,' enter (i) the aggregate amount of these joint costs \$ _____, (ii) the amount allocated to program services \$ _____, (iii) the amount allocated to management and general \$ _____, and (iv) the amount allocated to fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? EDUCATION	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts but optional for others)
a OPERATION OF EDUCATIONAL INSTITUTION, KINDERGARTEN THROUGH 8TH GRADE PRIVATE SCHOOL _____ _____ (Grants and allocations \$ _____)	458,890
b _____ _____ (Grants and allocations \$ _____)	
c _____ _____ (Grants and allocations \$ _____)	
d _____ _____ (Grants and allocations \$ _____)	
e Other program services (Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B), program services)	458,890

Part IV Balance Sheets (See instructions)

Note		(A) Beginning of year		(B) End of year			
ASSETS	45	Cash – non-interest-bearing		76,479	45	50,970	
	46	Savings and temporary cash investments			46		
	47 a	Accounts receivable					
		47 a					
		b	Less allowance for doubtful accounts			47 c	
		47 b					
	48 a	Pledges receivable					
		48 a					
		b	Less allowance for doubtful accounts			48 c	
		48 b					
	49	Grants receivable			49		
	50	Receivables from officers, directors, trustees, and key employees (attach schedule)			50		
	51 a	Other notes & loans receivable (attach sch)					
		51 a					
		b	Less allowance for doubtful accounts			51 c	
	51 b						
52	Inventories for sale or use			52			
53	Prepaid expenses and deferred charges		800	53	800		
54	Investments – securities (attach schedule)			54			
			<input type="checkbox"/> Cost <input type="checkbox"/> FMV				
55 a	Investments – land, buildings, & equipment basis						
	55 a						
	b	Less accumulated depreciation (attach schedule)			55 c		
	55 b						
56	Investments – other (attach schedule)		97,805	56	101,422		
57 a	Land, buildings, and equipment basis						
	57 a	70,731					
	b	Less accumulated depreciation (attach schedule)			57 c		
	57 b	31,273	35,782	57 c	39,458		
58	Other assets (describe <input type="checkbox"/> SEE STATEMENT 4)		16,025	58	16,026		
59	Total assets (add lines 45 through 58) (must equal line 74)		226,891	59	208,676		
LIABILITIES	60	Accounts payable and accrued expenses		5,135	60	3,717	
	61	Grants payable			61		
	62	Deferred revenue			62		
	63	Loans from officers, directors, trustees, and key employees (attach schedule)			63		
	64 a	Tax-exempt bond liabilities (attach schedule)			64 a		
		b	Mortgages and other notes payable (attach schedule)			64 b	
		64 b					
	65	Other liabilities (describe <input type="checkbox"/>)			65		
66	Total liabilities (add lines 60 through 65)		5,135	66	3,717		
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74						
	67	Unrestricted		221,756	67	204,959	
	68	Temporarily restricted			68		
	69	Permanently restricted			69		
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74						
	70	Capital stock, trust principal, or current funds			70		
	71	Paid-in or capital surplus, or land, building, and equipment fund			71		
	72	Retained earnings, endowment, accumulated income, or other funds			72		
	73	Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19 and column (B) must equal line 21)		221,756	73	204,959	
	74	Total liabilities and net assets/fund balances (add lines 66 and 73)		226,891	74	208,676	

Form 990 is available for public inspection and, for some people, serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

Part VI Other Information (See specific instructions)

	Yes	No
76 Did the organization engage in any activity not previously reported to the IRS? If 'Yes,' attach a detailed description of each activity		X
77 Were any changes made in the organizing or governing documents but not reported to the IRS? If 'Yes,' attach a conformed copy of the changes		X
78a Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?		X
78b If 'Yes,' has it filed a tax return on Form 990-T for this year?	N/A	
79 Was there a liquidation, dissolution, termination, or substantial contraction during the year? If 'Yes,' attach a statement		X
80a Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc., to any other exempt or nonexempt organization?		X
80b If 'Yes,' enter the name of the organization <u>N/A</u> and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt		
81a Enter direct or indirect political expenditures See line 81 instructions	81a	0
81b Did the organization file Form 1120-POL for this year?		X
82a Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?		X
82b If 'Yes,' you may indicate the value of these items here Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III)	82b	N/A
83a Did the organization comply with the public inspection requirements for returns and exemption applications?	X	
83b Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	X	
84a Did the organization solicit any contributions or gifts that were not tax deductible?		X
84b If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		N/A
85 501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?	85a	N/A
85b Did the organization make only in-house lobbying expenditures of \$2,000 or less?	85b	N/A
If 'Yes' was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year		
85c Dues, assessments, and similar amounts from members	85c	N/A
85d Section 162(e) lobbying and political expenditures	85d	N/A
85e Aggregate nondeductible amount of Section 6033(e)(1)(A) dues notices	85e	N/A
85f Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f	N/A
85g Does the organization elect to pay the Section 6033(e) tax on the amount on line 85f?	85g	N/A
85h If Section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h	N/A
86 501(c)(7) organizations Enter a Initiation fees and capital contributions included on line 12	86a	N/A
86b Gross receipts, included on line 12, for public use of club facilities	86b	N/A
87 501(c)(12) organizations Enter a Gross income from members or shareholders	87a	N/A
87b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	87b	N/A
88 At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations Sections 301.7701-2 and 301.7701-3? If 'Yes,' complete Part IX	88	X
89a 501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under Section 4911 <u>0</u> , Section 4912 <u>0</u> , Section 4955 <u>0</u>		
89b 501(c)(3) and 501(c)(4) organizations Did the organization engage in any Section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction.	89b	X
c Enter Amount of tax imposed on the organization managers or disqualified persons during the year under Sections 4912, 4955, and 4958		0
d Enter Amount of tax on line 89c, above, reimbursed by the organization		0
90a List the states with which a copy of this return is filed <u>CALIFORNIA</u>		
90b Number of employees employed in the pay period that includes March 12, 2001 (see instructions)	90b	0
91 The books are in care of <u>CHRIS GERSON</u> Telephone number <u>858-454-1972</u> Located at <u>7527 CUVIER ST, LA JOLLA CA</u> ZIP + 4 <u>92037</u>		
92 Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here <input type="checkbox"/> and enter the amount of tax-exempt interest received or accrued during the tax year <u>92</u>	92	N/A

Part VII Analysis of Income-Producing Activities (See instructions)

Note: Enter gross amounts unless otherwise indicated

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a TUITION, MATERIALS, F					567,846
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees & contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts					4,874
96 Dividends & interest from securities					
97 Net rental income or (loss) from real estate					
a debt-financed property					
b not debt-financed property					
98 Net rental income or (loss) from pers prop					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events	532000	-4,688			
102 Gross profit or (loss) from sales of inventory					
103 Other revenue					
a					
b					
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))		-4,688			572,720
105 Total (add line 104, columns (B), (D), and (E))					568,032

Note: Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See instructions)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
93A	PROVIDED FUNDS TO SUPPORT K - 8 PRIVATE SCHOOL

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See instructions)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End-of-year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See instructions)

- a Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- b Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No
- Note: If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions)

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of Officer: Chris Gerson Date: 8/12/03

Type or Print Name and Title: CHRIS GERSON, PRESIDENT

Paid Preparer's Use Only

Preparer's Signature: [Signature] Date: 8/05/03 Check if self-employed:

Firm's name (or yours if self-employed) and address and ZIP + 4: KENNETH S COHEN CPA, INC
990 HIGHLAND DR, SUITE 106A
SOLANA BEACH, CA 92075-2409

Preparer's SSN or PTIN (see General Instruction W): P00233769

EIN: 33-0894731 Phone no: 858 755 0290

Organization Exempt Under
Section 501(c)(3)

(Except Private Foundation) and Section 501(e), 501(f), 501(k), 501(n), or Section 4947(a)(1)
Nonexempt Charitable Trust Supplementary Information - (See separate instructions)
Supplementary Information - (see separate instructions)

2001

Department of the Treasury
Internal Revenue Service

▶ Must be completed by the above organizations and attached to their Form 990 or 990-EZ

Name of the Organization

ABILITY ACADEMY INC

Employer Identification Number

33-0426677

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See instructions List each one If there are none, enter 'None')

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
NONE				
Total number of other employees paid over \$50,000	0			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See instructions List each one (whether individuals or firms) If there are none, enter 'None')

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services	0	

Part III Statements About Activities (See instructions)

	Yes	No
1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If 'Yes,' enter the total expenses paid or incurred in connection with the lobbying activities ▶ \$ <u>N/A</u> (Must equal amounts on line 38, Part VI-A, or line i of Part VI-B.) Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI A. Other organizations checking 'Yes,' must complete Part VI-B and attach a statement giving a detailed description of the lobbying activities		X
2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is 'Yes,' attach a detailed statement explaining the transactions)		
a Sale, exchange, or leasing of property?	2a	X
b Lending of money or other extension of credit?	2b	X
c Furnishing of goods, services, or facilities?	2c	X
d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	2d	X
e Transfer of any part of its income or assets?	2e	X
3 Does the organization make grants for scholarships, fellowships, student loans, etc? (See Note below)	3	X
4 Do you have a section 403(b) annuity plan for your employees?	4	X

Note: Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs 'qualify' to receive payments

Part IV Reason for Non-Private Foundation Status (See instructions)

The organization is not a private foundation because it is (please check only **One** applicable box)

- 5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)
- 6 A school Section 170(b)(1)(A)(ii) (Also complete Part V)
- 7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)
- 8 A federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)
- 9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state ▶ _____
- 10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV-A)
- 11 a An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
- 11 b A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV-A)
- 12 An organization that normally receives (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc, functions — subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV-A)
- 13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See instructions)

(a) Name(s) of supported organization(s)	(b) Line number from above

- 14 An organization organized and operated to test for public safety Section 509(a)(4) (See instructions)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) *Use cash method of accounting.*

Note: You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2000	(b) 1999	(c) 1998	(d) 1997	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)	N/A				
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (Section 512(a)(5)), rents, royalties, and unrelated business taxable income (less Section 511 taxes) from businesses acquired by the organization after June 30, 1975					
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.					
23 Total of lines 15 through 22					
24 Line 23 minus line 17					
25 Enter 1% of line 23					

26 Organizations described on lines 10 or 11. a Enter 2% of amount in column (e), line 24 **N/A**

b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1997 through 2000 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts.	26a
c Total support for Section 509(a)(1) test. Enter line 24, column (e).	26c
d Add: Amounts from column (e) for lines 18 _____ 19 _____ 22 _____ 26b _____	26d
e Public support (line 26c minus line 26d total)	26e
f Public support percentage (line 26e (numerator) divided by line 26c (denominator))	26f %

27 Organizations described on line 12: **N/A**

a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year:
(2000) _____ (1999) _____ (1998) _____ (1997) _____

b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year:
(2000) _____ (1999) _____ (1998) _____ (1997) _____

c Add: Amounts from column (e) for lines 15 _____ 16 _____ 17 _____ 20 _____ 21 _____	27c
d Add: Line 27a total _____ and line 27b total _____	27d
e Public support (line 27c total minus line 27d total)	27e
f Total support for section 509(a)(2) test. Enter amount from line 23, column (e)	27f
g Public support percentage (line 27e (numerator) divided by line 27f (denominator))	27g %
h Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))	27h %

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 1997 through 2000, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15. **N/A**

Part V Private School Questionnaire (See instructions)
 (To be completed Only by schools that checked the box on line 6 in Part IV)

	Yes	No
29 Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?	X	
30 Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?	X	
31 Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If 'Yes,' please describe, if 'No,' please explain (If you need more space, attach a separate statement) <u>THE EXEMPT ORGANIZATION HAS PUBLISHED NOTICE IN THE REQUIRED FORM</u> <u>STATING ITS RACIALLY NON-DISCRIMINATORY POLICIES IN NEWSPAPERS OF</u> <u>GENERAL CIRCULATION AT LEAST ANNUALLY OR DURING ITS REGISTRATION</u> <u>PERIOD</u>	X	
32 Does the organization maintain the following		
a Records indicating the racial composition of the student body, faculty, and administrative staff?	X	
b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?	X	
c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?	X	
d Copies of all material used by the organization or on its behalf to solicit contributions? If you answered 'No' to any of the above, please explain (If you need more space, attach a separate statement) ----- -----	X	
33 Does the organization discriminate by race in any way with respect to		
a Students' rights or privileges?		X
b Admissions policies?		X
c Employment of faculty or administrative staff?		X
d Scholarships or other financial assistance?		X
e Educational policies?		X
f Use of facilities?		X
g Athletic programs?		X
h Other extracurricular activities? If you answered 'Yes' to any of the above, please explain (If you need more space, attach a separate statement) ----- -----		X
34a Does the organization receive any financial aid or assistance from a governmental agency?		X
b Has the organization's right to such aid ever been revoked or suspended? If you answered 'Yes' to either 34a or b, please explain using an attached statement		X
35 Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75 50, 1975-2 C B 587, covering racial nondiscrimination? If 'No,' attach an explanation	X	

Part VI-A Lobbying Expenditures by Electing Public Charities (See instructions)
 (To be completed **Only** by an eligible organization that filed Form 5768)

N/A

Check **a** if the organization belongs to an affiliated group Check **b** if you checked 'a' and 'limited control' provisions apply

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for all electing organizations
(The term 'expenditures' means amounts paid or incurred)			
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount. Enter the amount from the following table -- If the amount on line 40 is -- The lobbying nontaxable amount is -- Not over \$500,000 20% of the amount on line 40 Over \$500,000 but not over \$1,000,000 \$100,000 plus 15% of the excess over \$500,000 Over \$1,000,000 but not over \$1,500,000 \$175,000 plus 10% of the excess over \$1,000,000 Over \$1,500,000 but not over \$17,000,000 \$225,000 plus 5% of the excess over \$1,500,000 Over \$17,000,000 \$1,000,000	41	
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38	44	
Caution: If there is an amount on either line 43 or line 44, you must file Form 4720			

4-Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below
 See the instructions for lines 45 through 50)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
45	Lobbying nontaxable amount				
46	Lobbying ceiling amount (150% of line 45(e))				
47	Total lobbying expenditures				
48	Grassroots non-taxable amount				
49	Grassroots ceiling amount (150% of line 48(e))				
50	Grassroots lobbying expenditures				

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI-A) (See instructions)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

Yes	No	Amount

- a Volunteers
- b Paid staff or management (include compensation in expenses reported on lines c through h)
- c Media advertisements
- d Mailings to members, legislators, or the public
- e Publications, or published or broadcast statements
- f Grants to other organizations for lobbying purposes
- g Direct contact with legislators, their staffs, government officials, or a legislative body
- h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i Total lobbying expenditures (add lines c through h)

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities

ABILITY ACADEMY INC.

33-0426677

STATEMENT 1
FORM 990, PART I, LINE 9
NET INCOME (LOSS) FROM SPECIAL EVENTS

SPECIAL EVENTS	GROSS RECEIPTS	LESS CONTRI-BUTIONS	GROSS REVENUE	LESS DIRECT EXPENSES	NET INCOME (LOSS)
FACILITY RENTAL	37,117	0	37,117	41,805	-4,688
TOTALS	<u>\$ 37,117</u>	<u>\$ 0</u>	<u>\$ 37,117</u>	<u>\$ 41,805</u>	<u>\$ -4,688</u>

STATEMENT 2
FORM 990, PART II, LINE 43
OTHER EXPENSES

	(A) TOTAL	(B) PROGRAM SERVICES	(C) MANAGEMENT & GENERAL	(D) FUNDRAISING
ACTIVITY FEES	508	508		
ADVERTISING	18,350		18,350	
BANK CHARGES	536		536	
COMPUTER	400		400	
CONSULTING	600		600	
COPIER	7,563	7,563		
DONATIONS	500		500	
DUES	495		495	
ENTERTAINMENT	4,393	4,393		
EQUIPMENT RENTAL FEES	505		505	
FIELD TRIPS	18,531	18,531		
FOOD	6,363	6,363		
GIFTS	8,765	8,765		
INSURANCE	1,498		1,498	
LICENSES & TAXES	21,028	21,028		
LOCAL RESERVES	37,135	37,135		
MISC	1,659	1,659		
OFFICE SUPPLIES	118	118		
OUTSIDE SERVICES	1,438		1,438	
PEST CONTROL	8,012		8,012	
PROGRAM EXPENSE	57	57		
PROMOTION	760	760		
SECURITY	6,274	6,274		
TAXES	240		240	
TELEPHONE	452		452	
TRAINING	7,699	3,850	3,849	
UNIFORMS	13,106	13,106		
UTILITIES	1,609	1,609		
YEARBOOK	4,292	4,292		
TOTAL	<u>\$ 174,475</u>	<u>\$ 137,600</u>	<u>\$ 36,875</u>	<u>\$ 0</u>

ABILITY ACADEMY INC.

33-0426677

STATEMENT 3
FORM 990, PART IV, LINE 57
LAND, BUILDINGS, AND EQUIPMENT

CATEGORY	BASIS	ACCUM DEPREC	BOOK VALUE
FURNITURE AND FIXTURES	\$ 34,479	\$ 20,796	\$ 13,683
IMPROVEMENTS	30,373	8,809	21,564
MISCELLANEOUS	5,879	1,668	4,211
TOTAL	<u>\$ 70,731</u>	<u>\$ 31,273</u>	<u>\$ 39,458</u>

STATEMENT 4
FORM 990, PART IV, LINE 58
OTHER ASSETS

DEPOSIT	\$ 14,000
EMPLOYEE ADVANCES	525
ROUNDING	1
TRADE NAME	1,500
TOTAL	<u>\$ 16,026</u>

STATEMENT 5
FORM 990, PART V
LIST OF OFFICERS, DIRECTORS, TRUSTEES, AND KEY EMPLOYEES

NAME AND ADDRESS	TITLE AND AVERAGE HOURS PER WEEK DEVOTED	COMPEN- SATION	CONTRI- BUTION TO EBP & DC	EXPENSE ACCOUNT/ OTHER
CHRIS GERSON 7527 CUVIER ST LA JOLLA, CA 92037	PRESIDENT 40	\$ 38,850	\$ 0	\$ 0
STACY RUIZ 10663 VISTA DEL AGUA WAY SAN DIEGO, CA 92121	SEC/TREASURER 40	24,470	0	0
JEAN HIENZ	DIRECTOR NONE	0	0	0
KENNETH COHEN 990 HIGHLAND DR 106A SOLANA BEACH, CA 92075	DIRECTOR NONE	0	0	0
JONATHAN GERSON 990 HIGHLAND DR SOLANA BEACH, CA 92075	DIRECTOR NONE	0	0	0
TOTAL		<u>\$ 63,320</u>	<u>\$ 0</u>	<u>\$ 0</u>

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2001 FEDERAL BOOK DEPRECIATION SCHEDULE

PAGE 1

CLIENT 1170

ABILITY ACADEMY INC.

33-0426677

8/05/03

08 58AM

NO.	DESCRIPTION	DATE ACQUIRED	DATE SOLD	COST/ BASIS	BUS PCT	CUR 179 BONUS	SPECIAL DEPR ALLOW	PRIOR 179/ BONUS/ SP DEPR	PRIOR DEC BAL DEPR	SALVAGE /BASIS REDUCT	DEPR BASIS	PRIOR DEPR	METHOD	LIFE	RATE	CURRENT DEPR
FORM 990/990-PF																
FURNITURE AND FIXTURES																
1	EQUIPMENT	VARIOUS		13,375							13,375	13,375	S/L	5		0
3	EQUIPMENT	2/01/99		3,892							3,892	2,010	S/L	5		778
5	COMPUTERS	11/15/99		1,432							1,432	525	S/L	5		286
6	COMPUTERS	3/15/00		3,325							3,325	998	S/L	5		665
9	FURNITURE	9/03/00		402							402	57	S/L	7		57
10	COMPUTER	7/09/00		2,300							2,300	460	S/L	5		460
11	COMPUTER	8/24/01		2,322							2,322		S/L	5		464
12	FURNITURE	8/24/01		1,821							1,821		S/L	7		260
14	FURNITURE	3/01/02		3,047							3,047		S/L	7		218
16	FURNITURE	3/01/02		2,563							2,563		S/L	7		183
TOTAL FURNITURE AND FIXTURE						0	0	0	0	0	34,479	17,425				3,371
IMPROVEMENTS																
2	LEASEHOLD IMPROVEMENTS	6/15/99		23,524							23,524	5,292	S/L	10		2,352
7	LEASEHOLD IMPROVEMENTS	2/01/00		3,100							3,100	491	S/L	10		310
8	LEASEHOLD IMPROVEMENTS	8/03/01		1,200							1,200	10	S/L	10		120
13	LEASEHOLD IMPROVEMENTS	9/21/01		2,549							2,549		S/L	10		234
TOTAL IMPROVEMENTS						0	0	0	0	0	30,373	5,793				3,016
MISCELLANEOUS																
4	SIGN	6/01/99		3,400							3,400	1,093	S/L	7		486
15	SIGN	5/31/02		2,479							2,479		S/L	7		89

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2001 FEDERAL BOOK DEPRECIATION SCHEDULE

PAGE 2

CLIENT 1170

ABILITY ACADEMY INC.

33-0426677

8/05/03

08 58AM

NO.	DESCRIPTION	DATE ACQUIRED	DATE SOLD	COST/ BASIS	BUS PCT.	CUR 179 BONUS	SPECIAL DEPR ALLOW.	PRIOR 179/ BONUS/ SP DEPR	PRIOR DEC BAL DEPR	SALVAGE /BASIS REDUCT	DEPR BASIS	PRIOR DEPR	METHOD	LIFE	RATE	CURRENT DEPR
	TOTAL MISCELLANEOUS			5,879		0	0	0	0	0	5,879	1,093				575
	TOTAL DEPRECIATION			70,731		0	0	0	0	0	70,731	24,311				6,962
	GRAND TOTAL DEPRECIATION			70,731		0	0	0	0	0	70,731	24,311				6,962

67

0208

- If you are filing for an Additional (not automatic) 3-Month Extension, complete only Part II and check this box
- Note Only complete Part II if you have already been granted an automatic 3-month extension on a previously filed Form 8868.
- If you are filing for an Automatic 3-Month Extension, complete only Part I (on page 1)

Part II Additional (not automatic) 3-Month Extension of Time - Must File Original and One Copy.

Type or print	Name of Exempt Organization ABILITY ACADEMY INC	Employer identification number 33-0426677
	Number street, and room or suite no. If a P O box, see instructions 7527 CUIVIER ST	For IRS use only
File by the extended due date for filing the return See instructions	City, town or post office, state, and ZIP code For a foreign address, see instructions LA JOLLA, CA 92037	

Check type of return to be filed (File a separate application for each return)

<input checked="" type="checkbox"/> Form 990	<input type="checkbox"/> Form 990-EZ	<input type="checkbox"/> Form 990-T (sec 401(a) or 408(a) trust)	<input type="checkbox"/> Form 1041-A	<input type="checkbox"/> Form 5227	<input type="checkbox"/> Form 8870
<input type="checkbox"/> Form 990-BL	<input type="checkbox"/> Form 990-PF	<input type="checkbox"/> Form 990-T (trust other than above)	<input type="checkbox"/> Form 4720	<input type="checkbox"/> Form 6069	

STOP: Do not complete Part II if you were not already granted an automatic 3-month extension on a previously filed Form 8868.

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension is for

4 I request an additional 3-month extension of time until AUGUST 15, 20 03

5 For calendar year _____, or other tax year beginning SEPTEMBER 1, 20 01 and ending AUGUST 31, 20 02

6 If this tax year is for less than 12 months, check reason Initial return Final return Change in accounting period

7 State in detail why you need the extension **ADDITIONAL TIME IS REQUIRED TO COMPILE DATA NECESSARY TO PREPARE AND FILE A COMPLETE AND ACCURATE RETURN AT THIS TIME**

8a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits See instructions \$ _____

b If this application is for Form 990-PF, 990-T, 4720, or 6069, enter any refundable credits and estimated tax payments made Include any prior year overpayment allowed as a credit and any amount paid previously with Form 8868 \$ _____

c Balance Due. Subtract line 8b from line 8a Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System) See instructions \$ _____ 0

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete, and that I am authorized to prepare this form

Signature  Title CPA Date 5/13/03

Notice to Applicant - To Be Completed by the IRS

- We have approved this application Please attach this form to the organization's return
- We have not approved this application However, we have granted a 10-day grace period from the later of the date shown below or the due date of the organization's return (including any prior extensions) This grace period is considered to be a valid extension of time for elections otherwise required to be made on a timely return Please attach this form to the organization's return
- We have not approved this application After considering the reasons stated in item 7, we cannot grant your request for an extension to file We are not granting a 10-day grace period
- We cannot consider this application because it was filed after the due date of the return for which an extension was requested
- Other

EXTENSION APPROVED
MAY 2 2003

LINDA WEISKOPF, FIELD DIRECTOR,
SUBMISSION PROCESSING, OGDEN

Director _____ By _____ Date _____

Alternate Mailing Address - Enter the address if you want the copy of this application for an additional 3-month extension returned to an address different than the one entered above

Type or print	Name Kenneth S Cohen CPA, Inc
	Number and street (include suite, room, or apt. no.) Or a P O box number 990 Highland Dr., Ste 106-A
	City or town, province or state, and country (including postal or ZIP code) Solana Beach CA 92075

Application for Extension of Time To File an Exempt Organization Return

OMB No 1545-1709

▶ File a separate application for each return

- If you are filing for an Automatic 3-Month Extension, complete only Part I and check this box
 - If you are filing for an Additional (not automatic) 3-Month Extension, complete only Part II (on page 2 of this form)
- Note: Do not complete Part II unless you have already been granted an automatic 3-month extension on a previously filed Form 8868.**

Part I Automatic 3-Month Extension of Time - Only submit original (no copies needed)

Note: Form 990-T corporations requesting an automatic 6-month extension - check this box and complete Part I only
All other corporations (including Form 990-C filers) must use Form 7004 to request an extension of time to file income tax returns. Partnerships, REMICs and trusts must use Form 8736 to request an extension of time to file Form 1065, 1066, or 1041

Type or print	Name of Exempt Organization ABILITY ACADEMY INC	Employer identification number 33-0426877
File by the due date for filing your return. See instructions	Number, street, and room or suite no if a P O box, see instructions 7527 CUIVIER ST	
	City, town or post office, state, and ZIP code. For a foreign address, see instructions LA JOLLA, CA 92037	

Check type of return to be filed (file a separate application for each return)

- | | | |
|--|--|------------------------------------|
| <input checked="" type="checkbox"/> Form 990 | <input type="checkbox"/> Form 990-T (corporation) | <input type="checkbox"/> Form 4720 |
| <input type="checkbox"/> Form 990-BL | <input type="checkbox"/> Form 990-T (sec 401(a) or 408(a) trust) | <input type="checkbox"/> Form 5227 |
| <input type="checkbox"/> Form 990-EZ | <input type="checkbox"/> Form 990-T (trust other than above) | <input type="checkbox"/> Form 6069 |
| <input type="checkbox"/> Form 990-PF | <input type="checkbox"/> Form 1041-A | <input type="checkbox"/> Form 8870 |

- If the organization does not have an office or place of business in the United States, check this box
- If this is for a Group Return, enter the organization's four digit Group Exemption Number (GEN) _____ If this is for the whole group, check this box If it is for part of the group, check this box and attach a list with the names and EINs of all members the extension will cover

1 I request an automatic 3-month (6-month, for 990-T corporation) extension of time until _____, 20____ to file the exempt organization return for the organization named above. The extension is for the organization's return for
 ▶ calendar year 20____ or
 ▶ tax year beginning _____, 20____, and ending _____, 20____

2 If this tax year is for less than 12 months, check reason Initial return Final return Change in accounting period

3a If this application is for Form 990-BL, 990-PF, 990-T, 4720, or 6069, enter the tentative tax, less any nonrefundable credits. See Instructions \$ _____

b If this application is for Form 990-PF or 990-T, enter any refundable credits and estimated tax payments made. Include any prior year overpayment allowed as a credit \$ _____

c **Balance Due.** Subtract line 3b from line 3a. Include your payment with this form, or, if required, deposit with FTD coupon or, if required, by using EFTPS (Electronic Federal Tax Payment System). See instructions \$ _____ 0

Signature and Verification

Under penalties of perjury, I declare that I have examined this form, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete, and that I am authorized to prepare this form.

Signature ▶ Title ▶ CPA Date ▶ 5/13/02

For Paperwork Reduction Act Notice, see Instruction

Form 8868 (12-2000)

DXA