

DISABILITY ADVOCATES OF KENT COUNTY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

DISABILITY ADVOCATES OF KENT COUNTY

FINANCIAL STATEMENTS FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Disability Advocates of Kent County

We have audited the accompanying financial statements of Disability Advocates of Kent County (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 auditor considers 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 Disability Advocates of Kent County as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Disability Advocates of Kent County as of September 30, 2017, were audited by other auditors whose report dated January 25, 2018, expressed an unmodified opinion on those statements.

Jason F. Clausen, P.C

St. Clair Shores, MI
January 10, 2019

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 604,344	\$ 547,916
Certificates of deposit	54,197	65,973
Accounts receivable:		
Program services receivable	219,536	390,115
Grants receivable, current	226,125	71,125
Contributions receivable, current	25,000	6,200
Prepaid expenses	35,047	48,125
Lease deposit	1,889	1,889
	<hr/>	<hr/>
Total current assets	1,166,138	1,131,343
 <u>Fixed assets</u>		
Net property and equipment	-	817
 <u>Other assets</u>		
Certificates of deposit, long-term	19,935	7,148
Grants receivable, net of current portion	210,000	55,000
Contributions receivable, net of current portion	20,000	40,000
	<hr/>	<hr/>
Total other assets	249,935	102,148
	<hr/>	<hr/>
<u>Total Assets</u>	<u>1,416,073</u>	<u>1,234,308</u>
 <u>Liabilities</u>		
<u>Current liabilities</u>		
Accounts payable	16,646	24,934
Accrued compensation and withholdings	90,917	85,168
Deferred revenue	58,925	36,050
	<hr/>	<hr/>
Total current liabilities	166,488	146,152
	<hr/>	<hr/>
Total liabilities	166,488	146,152
 <u>Net assets</u>		
Unrestricted	603,475	736,209
Temporarily restricted	634,805	340,642
Permanently restricted	11,305	11,305
	<hr/>	<hr/>
Total net assets	1,249,585	1,088,156
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<u>Total liabilities and net assets</u>	<u>\$ 1,416,073</u>	<u>\$ 1,234,308</u>

See Independent Auditor's Report and Notes to the Financial Statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30 2018 AND 2017

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>Revenue and other support</u>					
Government grants	\$ 486,705	\$ -	\$ -	\$ 486,705	\$ 490,455
Other grants	99,450	572,050	-	671,500	416,500
Contributions	126,216	-	-	126,216	210,531
Donated goods and services	86,260	-	-	86,260	74,300
Program service revenue	1,153,356	-	-	1,153,356	1,318,876
Miscellaneous revenue	10,339	-	-	10,339	8,449
Net assets released from restrictions	277,887	(277,887)	-	-	-
Total revenue and other support	2,240,213	294,163	-	2,534,376	2,519,111
<u>Expense</u>					
Program services	2,094,851	-	-	2,094,851	2,092,712
Management and general	179,671	-	-	179,671	167,991
Fundraising	98,425	-	-	98,425	156,600
Total expenses	2,372,947	-	-	2,372,947	2,417,303
Change in net assets	(132,734)	294,163	-	161,429	101,808
Net assets, beginning of period	736,209	340,642	11,305	1,088,156	986,348
Net assets, end of period	\$ 603,475	\$ 634,805	\$ 11,305	\$ 1,249,585	\$ 1,088,156

See Independent Auditor's Report and Notes to the Financial Statements

DISABILITY ASSOCIATES OF KENT COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

<u>Description</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Total</u>	<u>2017 Total</u>
Compensation:					
Salaries and wages	\$ 1,139,656	\$ 126,880	\$ 47,815	\$ 1,314,351	\$ 1,294,480
Payroll taxes	90,114	10,127	3,744	103,985	105,980
Benefits	161,115	16,102	6,601	183,818	192,532
Retirement	17,880	2,774	743	21,397	22,087
Subtotal	<u>1,408,765</u>	<u>155,883</u>	<u>58,903</u>	<u>1,623,551</u>	<u>1,615,079</u>
Consulting and contractual services	87,801	1,782	818	90,401	95,768
Consumer pass-through equipment	253,657	-	-	253,657	269,515
Office expense	18,503	1,261	2,218	21,982	30,971
Occupancy	111,816	12,092	4,618	128,526	121,892
Telephone	15,793	1,381	516	17,690	18,006
Insurance	6,713	741	298	7,752	7,492
Travel	44,140	571	873	45,584	46,976
Conference and workshop	16,261	1,820	2,720	20,801	19,423
Promotions and fundraising	5,755	483	19,916	26,154	51,394
Professional services	9,228	995	628	10,851	12,898
Depreciation	706	67	44	817	3,698
Equipment and maintenance	6,749	562	215	7,526	20,141
Donated goods and services	80,520	-	5,740	86,260	74,300
Other operations	28,444	2,033	918	31,395	29,750
Total	<u>\$ 2,094,851</u>	<u>\$ 179,671</u>	<u>\$ 98,425</u>	<u>\$ 2,372,947</u>	<u>\$ 2,417,303</u>
Percentage of total expenses	88.3%	7.6%	4.1%		

See Independent Auditor's Report and Notes to the Financial Statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 161,429	\$ 101,808
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	817	3,698
Interest on certificates of deposit	(1,011)	(890)
<u>Changes in operating assets and liabilities</u>		
(Increase) Decrease in:		
Program services receivable	170,579	(220,894)
Grants receivable	(310,000)	194,291
Contributions receivable	1,200	(38,700)
Prepaid expense	13,078	(4,054)
Increase (Decrease) in:		
Accounts payable	(8,288)	7,681
Accrued compensation and withholdings	5,749	3,086
Deferred revenue	22,875	(17,759)
Net cash provided by operating activities	56,428	28,267
Net increase in cash and cash equivalents	56,428	28,267
Cash and cash equivalents, beginning of period	547,916	519,649
Cash and cash equivalents, end of period	\$ 604,344	\$ 547,916
 Total cash paid for interest during the fiscal year	-	-

See Independent Auditor's Report and Notes to the Financial Statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 1 – NATURE OF ACTIVITIES

Disability Advocates of Kent County (the "Organization") is a nonprofit organization dedicated to advocate for and with people with disabilities and promote the development of a barrier free society. The service area covers primarily Kent County and four other counties in Western Michigan. The Organization is primarily supported through government and private grants, contracts with various agencies, and service fees.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Under the presentation of financial statements subtopic for nonprofit entities of the FASB Accounting Standards Codification (FASB ASC 958-205), the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets

The amount of net assets that are available for general obligations and are not subject to any donor-imposed restrictions. Revenues earned from program services provided, unrestricted contributions, investment income available for general operations, and all operating expenses are reported in this category.

Temporarily restricted net assets

The amount of net assets that are limited to uses specified by the respective donor. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets

The amount of net assets that result from donor gifts and bequests that create permanent endowment funds. According to the donor's instructions, income, gains, or losses from the permanently restricted net assets are unrestricted.

Recognition of Donor Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction.

Contributed Goods and Services

The Organization receives donations in-kind such as medical equipment and supplies. Donations are recorded at fair values as revenues and expenses at the time they are received. The value of donations in-kind were \$12,084 and \$12,072 for the years ended September 30, 2018 and 2017, respectively.

See Independent Auditor's Report and Financial Statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES
(CONTINUED)**

In addition, the Organization receives services from volunteers who give of their time. Such services may include those that (a) create or enhance nonfinancial assets, or (b) require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not contributed. Donated services are recorded as revenue and as expense to the Organization. The value of donated services was \$74,176 and \$62,228 for the years ended September 30, 2018 and 2017, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements. The tax years that remain open for examination are September 30, 2015, 2016, and 2017.

Functional Reporting of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts, Grants and Contributions Receivable

Accounts, grants and contributions receivable are stated at unpaid balances less an allowance for doubtful accounts. The Organization reviews accounts receivable periodically for collectability and establishes an allowance for doubtful accounts and records bad debt when deemed necessary. The allowance for doubtful accounts was \$0 as of September 30, 2018 and 2017.

Deferred Revenue

Deferred revenue is recorded for revenue received prior fiscal year end for events and services provided in the following fiscal year. The balance of deferred revenue as of September 30, 2018, and 2017, was \$58,925 and \$36,050 respectively.

Property and Equipment

Property and equipment are carried at cost at the date of purchase or fair market value at date of donation. Additions with a cost over \$2,500 are charged to property accounts while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. When property is retired or disposed of, the recorded value is removed from the accounts. Gains and losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the estimated life of the assets.

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (CONTINUED)

Concentration of Credit Risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist principally of temporary cash investments and accounts receivable. The Organization places its temporary cash investments with financial institutions. The Organization has determined that current operational cash needs will occasionally result in balances in excess of insured limits. At September 30, 2018, and 2017 balances in excess of federally insured limits were \$443,533 and \$377,268 respectively. Accounts receivable are currently considered fully collectible.

Advertising

The company expenses advertising and marketing costs as incurred. The total expense for the years ended September 30, 2018 and 2017 were \$153 and \$250 respectively.

Accrued Paid Time off

Accrued paid time off (PTO) may be used for vacation, sick or personal time off. Employees may carry a maximum of 10 days of PTO over to a new fiscal year. Upon termination employees will be paid a maximum of 10 days of PTO time from accrued PTO. As of September 30, 2018, and 2017, accrued PTO balances were \$31,031 and \$31,129 respectively.

NOTE 3 – CERTIFICATES OF DEPOSIT

The Organization has an 84-month C.D. which matures March 1, 2019 with Comerica Bank. The annual percentage rate is 1.24%. The original deposit was \$50,000 on March 1, 2012, and has a current value of \$54,197.

The Organization has a 60-month C.D. which matures September 25, 2023 with Lake Michigan Credit Union. The annual percentage rate is 1.8%. The original deposit was \$12,643 on September 25, 2018, and has a current value of \$12,643. \$11,305 of this C.D. is permanently restricted. Additional information is disclosed in Note 10.

The Organization has a 36-month C.D. which matures June 23, 2019 with Old National Bank. The annual percentage rate is 1.00%. The original deposit was \$7,130 on June 23, 2016, and has a current value of \$7,292.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 6,267	\$ 6,267
Computer Equipment and Software	<u>27,804</u>	<u>27,804</u>
Total	\$ 34,071	\$ 34,071
Less: Accumulated depreciation	<u>34,071</u>	<u>33,254</u>
Net property and equipment	<u>\$ -0-</u>	<u>\$ 817</u>

See Independent Auditor's Report and Financial Statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 4 – PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense for the fiscal years ended September 30, 2018 and 2017 was \$817 and \$3,698 respectively.

NOTE 5 – LINE OF CREDIT

The Organization entered into a \$40,000 line of credit agreement with Comerica Bank bearing interest at prime plus 2%. As of September 30, 2018, and 2017, the balance on this line was \$0.

NOTE 6 – LEASES

The Organization leases its office space at 3600 Camelot S.E., Grand Rapids, Michigan, from an unrelated party. The lease has an inception date of October 1, 2015 and has a 60-month term, calling for monthly payments of \$7,500.

The Organization entered into a lease addendum for additional space at 3600 Camelot S.E., Grand Rapids, Michigan. The addendum has an inception date February 1, 2017 and has a 44-month term calling for monthly payments beginning at \$1,468 and increasing by \$104 per month on October 1 of each year through 2018.

Total rent expense for the years ended September 30, 2018 and 2017 was \$108,855 and \$101,732 respectively.

The Organization leases office equipment under an operating lease agreement with an inception date of October 25, 2016. The lease has a 48-month term calling for monthly payments of \$475. Lease expense for the years ended of September 30, 2018 and 2017 under this agreement was \$5,700 and \$5,698 respectively.

The minimum future lease payments under these leases as of September 30, 2018 for each of the next five years are:

Fiscal Year	Amount
2019	\$ 115,812
2020	115,812
2021	<u>475</u>
Total	<u>\$ 232,099</u>

NOTE 7 – RETIREMENT PLAN

The Organization offers its employees a 401(k) retirement plan. Under this plan, the employer offers a matching contribution up to a maximum of 2% of the employee's wages. For the years ended September 30, 2018 and 2017, the total amount contributed to the plan was \$18,471 and \$18,622 respectively.

NOTE 8 – CONCENTRATIONS

The Organization has a substantial concentration of revenue from reimbursable government grants, government agency grants, and private grants.

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

NOTE 8 – CONCENTRATIONS (CONTINUED)

For the year ended September 30, 2018, 19% of the Organization’s revenue came from reimbursable government grants, 45% came from government agency contracts, and 26% came from private grants.

For the year ended September 30, 2017, 20% of the Organization’s revenue came from reimbursable government grants, 52% came from government agency contracts, and 17% came from private grants.

The loss of funding from some of these sources could have a material impact on the operations of the Organization.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

<u>Restricted purpose:</u>	<u>2018</u>	<u>2017</u>
Advocacy Programs	\$ 32,755	\$ 125,249
Occupational Therapy Services Program	90,871	155,555
Other Operations	<u>511,179</u>	<u>59,838</u>
Temporarily Restricted Net Assets	<u>\$ 634,805</u>	<u>\$ 340,642</u>

NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS

As of September 30, 2018, and 2017, the amount of net assets permanently restricted was \$11,305. These funds are restricted for staff training and scholarships. Income derived from these funds is unrestricted.

NOTE 11 – COMPARATIVE STATEMENTS

Comparative Data

Certain amounts shown for the year ended September 30, 2017 in the accompanying financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, 2017 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization’s financial statements for the year ended September 30, 2017 from which the summarized information was derived.

NOTE 12 – DATE OF MANAGEMENT’S REVIEW

These financial statements and accompanying notes have been reviewed by management and through the date of this report, which is the date the financial statements were available to be issued.