

DISABILITY ADVOCATES OF KENT COUNTY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

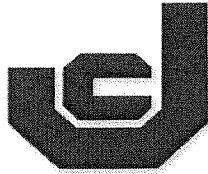
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

DISABILITY ADVOCATES OF KENT COUNTY

FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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Jason F. Clausen, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management of
Disability Advocates of Kent County
Grand Rapids, MI

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, 2019 and 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, 2019 and 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.

Jason F. Clausen, P.C.

St. Clair Shores, MI
January 8, 2020

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Assets		
<u>Current assets</u>		
Cash and cash equivalents	\$ 479,641	\$ 604,344
Certificates of deposit	55,149	54,197
Accounts receivable:		
Program services receivable	143,558	219,537
Grants receivable, current	227,434	226,125
Contributions receivable, current	36,200	25,000
Prepaid expenses	43,956	35,047
Lease deposit	<u>1,889</u>	<u>1,889</u>
 Total current assets	 987,827	 1,166,139
<u>Fixed assets</u>		
Net property and equipment	-	-
<u>Other assets</u>		
Certificates of deposit, long-term	20,231	19,935
Grants receivable, net of current portion	60,000	210,000
Contributions receivable, net of current portion	<u>35,000</u>	<u>20,000</u>
 Total other assets	 <u>115,231</u>	 <u>249,935</u>
 <u>Total Assets</u>	 <u>1,103,058</u>	 <u>1,416,074</u>
<u>Liabilities</u>		
<u>Current liabilities</u>		
Accounts payable	6,916	16,646
Accrued compensation and withholdings	89,160	90,918
Deferred revenue	<u>71,550</u>	<u>58,925</u>
 Total current liabilities	 <u>167,626</u>	 <u>166,489</u>
 Total liabilities	 <u>167,626</u>	 <u>166,489</u>
<u>Net assets</u>		
Net assets without donor restrictions	558,511	603,475
Net assets with donor restrictions	<u>376,921</u>	<u>646,110</u>
 Total net assets	 <u>935,432</u>	 <u>1,249,585</u>
 <u>Total liabilities and net assets</u>	 <u>\$ 1,103,058</u>	 <u>\$ 1,416,074</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, 2019 AND 2018

	2019			2018
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Government grants	\$ 640,030	\$ -	\$ 640,030	\$ 486,705
Other grants	10,000	26,500	36,500	671,500
Contributions	230,320	5,434	235,754	126,216
Donated goods and services	10,426	-	10,426	12,084
Program service revenue	1,122,666	-	1,122,666	1,153,356
Miscellaneous revenue	11,279	-	11,279	10,339
Net assets released from restrictions	301,123	(301,123)	-	-
Total revenue and other support	<u>2,325,844</u>	<u>(269,189)</u>	<u>2,056,655</u>	<u>2,460,200</u>
<u>Expense</u>				
Program services	2,028,927	-	2,028,927	2,020,675
Management and general	193,040	-	193,040	179,671
Fundraising	148,841	-	148,841	98,425
Total expenses	<u>2,370,808</u>	<u>-</u>	<u>2,370,808</u>	<u>2,298,771</u>
Change in net assets	(44,964)	(269,189)	(314,153)	161,429
Net assets, beginning of period	<u>603,475</u>	<u>646,110</u>	<u>1,249,585</u>	<u>1,088,156</u>
Net assets, end of period	<u>\$ 558,511</u>	<u>\$ 376,921</u>	<u>\$ 935,432</u>	<u>\$ 1,249,585</u>

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, 2019 AND 2018

<u>Description</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Compensation:					
Salaries and wages	\$ 1,157,542	\$ 135,297	\$ 68,390	\$ 1,361,229	\$ 1,314,351
Payroll taxes	94,011	11,018	5,380	110,409	103,985
Benefits	161,207	17,326	9,143	187,676	183,818
Retirement	19,205	2,955	818	22,978	21,397
Subtotal	<u>1,431,965</u>	<u>166,596</u>	<u>83,731</u>	<u>1,682,292</u>	<u>1,623,551</u>
Consulting and contractual services	56,258	1,914	1,009	59,181	90,401
Consumer pass-through equipment	261,048	-	-	261,048	253,657
Office expense	14,761	1,802	5,624	22,187	21,982
Occupancy	108,379	12,705	6,928	128,012	128,526
Telephone	16,131	1,576	836	18,543	17,690
Insurance	7,413	857	511	8,781	7,752
Travel	35,568	3,299	1,468	40,335	45,584
Conference and workshop	16,516	777	3,387	20,680	20,801
Communications/Events	35,186	271	1,115	36,572	9,681
Fundraising	-	-	33,894	33,894	19,823
Professional services	4,592	523	385	5,500	10,851
Depreciation	-	-	-	-	817
Equipment and maintenance	4,924	562	300	5,786	7,526
Donated goods and services	2,050	-	8,376	10,426	12,084
Other operations	34,136	2,158	1,277	37,571	28,045
Total	<u>\$ 2,028,927</u>	<u>\$ 193,040</u>	<u>\$ 148,841</u>	<u>\$ 2,370,808</u>	<u>\$ 2,298,771</u>
Percentage of total expenses	85.6%	8.1%	6.3%		

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (314,153)	\$ 161,429
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	-	817
Interest on certificates of deposit	(1,249)	(1,011)
<u>Changes in operating assets and liabilities</u>		
(Increase) Decrease in:		
Program services receivable	75,979	170,579
Grants receivable	148,692	(310,000)
Contributions receivable	(26,200)	1,200
Prepaid expense	(8,909)	13,078
Increase (Decrease) in:		
Accounts payable	(9,730)	(8,288)
Accrued compensation and withholdings	(1,758)	5,749
Deferred revenue	<u>12,625</u>	<u>22,875</u>
Net cash provided by (used in) operating activities	<u>(124,703)</u>	<u>56,428</u>
Net increase (decrease) in cash and cash equivalents	(124,703)	56,428
Cash and cash equivalents, beginning of period	<u>604,344</u>	<u>547,916</u>
Cash and cash equivalents, end of period	<u>\$ 479,641</u>	<u>\$ 604,344</u>
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, 2019 AND 2018

NOTE 1 – NATURE OF ACTIVITIES

Disability Advocates of Kent County (the "Organization") is a nonprofit organization dedicated to working alongside people with disabilities as they seek to lead self-directed lives and advocate for accessible and welcoming communities for all. The service area covers primarily Kent County, but also covers four other counties in Western Michigan. The Organization is primarily supported through government and private grants, contracts and services with various agencies, and donations.

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.

Classification of Net Assets

The Organization prepares its financial statements in accordance with FASB ASC 958-205, "Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions. As permitted under the provisions of FASB 958-605, the Organization records donor-restricted contributions whose restrictions have been satisfied in the same reporting period as unrestricted support in such year.

Recognition of donor restrictions

Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. When the restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Current Financial Assets

The Organization has \$941,982 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$534,790, and the current portion of program services, grants, and contributions receivable totaling \$407,192. Certain grants receivable amounts are subject to donor restrictions as outlined in Note 9. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$407,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Contributed Goods and Services

The Organization receives donations in-kind such as durable medical equipment and supplies, and items for fundraising events. Donations are recorded at fair values as revenues and expenses at the time they are received. The value of donations in-kind were \$10,426 and \$12,084 for the years ended September 30, 2019 and 2018, respectively.

In addition, the Organization receives services from volunteers who give of their time. This volunteer work does not meet the requirements for recognition in GAAP and is therefore not included in the financial statements.

See Independent Auditor's Report and Financial Statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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

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, 2016, 2017, and 2018.

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. Directly identifiable expenses are charged to program and supporting services. Indirect expenses are allocated using the Direct Allocation Method as noted in Appendix IV of CFR 200.

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, 2019 and 2018.

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, 2019 and 2018, was \$71,550 and \$58,925 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.

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

See Independent Auditor's Report and Financial Statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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

Organization has determined that current operational cash needs will occasionally result in balances in excess of insured limits. At September 30, 2019, and 2018 balances in excess of federally insured limits were \$151,668 and \$443,533, respectively. Accounts receivable are currently considered fully collectible.

Advertising

The company expenses advertising as incurred. The total expense for the years ended September 30, 2019 and 2018 were \$0 and \$153 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, 2019, and 2018, accrued PTO balances were \$33,862 and \$31,031 respectively.

NOTE 3 – CERTIFICATES OF DEPOSIT

The Organization has a 12-month C.D. which matures March 4, 2020 with Comerica Bank. The annual percentage rate is 2.23%. The original deposit was \$54,533 on March 4, 2019 and has a current value of \$55,149.

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 \$12,870. \$11,305 of this C.D. is permanently restricted. Additional information is disclosed in Note 9.

The Organization has a 19-month C.D. which matures March 27, 2021 with United Bank. The annual percentage rate is 2.23%. The original deposit was \$7,347 on August 27, 2019 and has a current value of \$7,360.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 6,267	\$ 6,267
Computer Equipment and Software	<u>15,675</u>	<u>27,804</u>
Total	\$ 21,942	\$ 34,071
Less: Accumulated depreciation	<u>21,942</u>	<u>34,071</u>
Net property and equipment	<u>\$ -0-</u>	<u>\$ -0-</u>

Depreciation expense for the fiscal years ended September 30, 2019 and 2018 was \$0 and \$817 respectively.

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 5 – LINE OF CREDIT

The Organization has a \$40,000 line of credit agreement with Comerica Bank bearing interest at prime plus 2%. As of September 30, 2019, and 2018, 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, 2019 and 2018 was \$110,112 and \$108,855, 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, 2019 and 2018 under this agreement was \$5,700 and \$5,942 respectively.

The minimum future lease payments under these leases as of September 30, 2019 for each of the next five years are:

Fiscal Year	Amount
2020	115,812
2021	475
Total	<u>\$ 116,287</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, 2019 and 2018, the total amount contributed to the plan was \$20,517 and \$18,471 respectively.

NOTE 8 – CONCENTRATIONS

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

For the year ended September 30, 2019, 30% of the Organization’s revenue came from reimbursable government grants, 53% came from government agency contracts, and 2% came from private grants.

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.

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DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

NOTE 8 – CONCENTRATIONS (CONTINUED)

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

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets are available for the following purposes:

<i>Restricted purpose:</i>	<u>2019</u>	<u>2018</u>
Advocacy Programs	\$ 12,434	\$ 32,755
Occupational Therapy Services Program	16,196	90,871
Staff Training and Scholarships	11,305	11,305
Other Operations	<u>336,986</u>	<u>511,179</u>
Temporarily Restricted Net Assets	<u>\$ 376,921</u>	<u>\$ 646,110</u>

NOTE 10 – COMPARATIVE STATEMENTS

Comparative Data

Certain amounts shown for the year ended September 30, 2018 in the accompanying financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, 2018 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, 2018 from which the summarized information was derived.

NOTE 11 – 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.