

Disability Advocates of Kent County

Audited Financial Statements

For the years ended
September 30, 2021 and
2020

CONTENTS

| | |
|----------------------------------|---|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Statement of Financial Position | 2 |
| Statement of Activities | 3 |
| Statement of Functional Expenses | 4 |
| Statement of Cash Flows | 5 |
| Notes to Financial Statements | 6 |



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, 2021 and 2020, 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, 2021 and 2020, 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

Fraser, MI
January 12, 2022

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| <u>Assets</u> | | |
| <u>Current assets</u> | | |
| Cash and cash equivalents | \$ 1,671,762 | \$ 777,729 |
| Certificates of deposit | - | 7,527 |
| Accounts receivable: | | |
| Program services receivable | 150,043 | 143,971 |
| Grants receivable, current | 288,327 | 258,516 |
| Contributions receivable, current | 336,660 | 37,000 |
| Prepaid expenses | 60,059 | 38,622 |
| Lease deposit | 1,889 | 1,889 |
| | 2,508,740 | 1,265,254 |
| | | |
| <u>Fixed assets</u> | | |
| Net property and equipment | - | - |
| | | |
| <u>Other assets</u> | | |
| Certificates of deposit, long-term | 13,338 | 13,102 |
| Grants receivable, net of current portion | 20,000 | 190,000 |
| Contributions receivable, net of current portion | 535,436 | - |
| | 568,774 | 203,102 |
| | | |
| <u>Total Assets</u> | <u>3,077,514</u> | <u>1,468,356</u> |
| | | |
| <u>Liabilities</u> | | |
| <u>Current liabilities</u> | | |
| Accounts payable | 33,863 | 51,414 |
| Accrued compensation and withholdings | 94,459 | 97,314 |
| Deferred revenue | 67,438 | 50,188 |
| | 195,760 | 198,916 |
| | | |
| Total current liabilities | 195,760 | 198,916 |
| | | |
| Total liabilities | 195,760 | 198,916 |
| | | |
| <u>Net assets</u> | | |
| Net assets without donor restrictions | 864,826 | 602,231 |
| Net assets with donor restrictions | 2,016,928 | 667,209 |
| | 2,881,754 | 1,269,440 |
| | | |
| Total net assets | 2,881,754 | 1,269,440 |
| | | |
| <u>Total liabilities and net assets</u> | <u>\$ 3,077,514</u> | <u>\$ 1,468,356</u> |

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

| | 2021 | | 2020 | |
|---------------------------------------|---|--|---------------|---------------|
| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | Total | Total |
| <u>Revenue and other support</u> | | | | |
| Government grants | \$ 1,027,516 | \$ - | \$ 1,027,516 | \$ 728,537 |
| Other grants | 25,648 | 164,102 | 189,750 | 636,000 |
| Contributions | 354,444 | 1,508,025 | 1,862,469 | 208,929 |
| Donated goods and services | 8,318 | - | 8,318 | 19,612 |
| Program service revenue | 1,145,900 | - | 1,145,900 | 1,034,054 |
| Miscellaneous revenue | 10,760 | - | 10,760 | 4,616 |
| Net assets released from restrictions | 322,408 | (322,408) | - | - |
| Total revenue and other support | 2,894,994 | 1,349,719 | 4,244,713 | 2,631,748 |
| <u>Expense</u> | | | | |
| Program services | 2,182,046 | - | 2,182,046 | 1,947,343 |
| Management and general | 183,235 | - | 183,235 | 177,405 |
| Fundraising | 267,118 | - | 267,118 | 172,992 |
| Total expenses | 2,632,399 | - | 2,632,399 | 2,297,740 |
| Change in net assets | 262,595 | 1,349,719 | 1,612,314 | 334,008 |
| Net assets, beginning of period | 602,231 | 667,209 | 1,269,440 | 935,432 |
| Net assets, end of period | \$ 864,826 | \$ 2,016,928 | \$ 2,881,754 | \$ 1,269,440 |

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

| <u>Description</u> | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>2021 Total</u> | <u>2020 Total</u> |
|--|---------------------|-----------------------------------|--------------------|-----------------------|-----------------------|
| Compensation: | | | | | |
| Salaries and wages | \$ 1,155,934 | \$ 119,682 | \$ 99,214 | \$ 1,374,830 | \$ 1,244,200 |
| Payroll taxes | 93,365 | 9,593 | 7,571 | 110,529 | 97,114 |
| Benefits | 173,767 | 17,869 | 13,618 | 205,254 | 194,390 |
| Retirement | 30,276 | 3,474 | 1,969 | 35,719 | 24,403 |
| Subtotal | <u>1,453,342</u> | <u>150,618</u> | <u>122,372</u> | <u>1,726,332</u> | <u>1,560,107</u> |
| Operational Expenses: | | | | | |
| Consulting and contractual services | 99,823 | 15,650 | 1,287 | 116,760 | 138,086 |
| Consumer pass-through equipment | 276,092 | - | - | 276,092 | 205,307 |
| Office expense | 42,517 | 1,332 | 5,364 | 49,213 | 28,508 |
| Occupancy | 110,319 | 10,943 | 8,196 | 129,458 | 127,884 |
| Telephone and Internet | 13,378 | 1,057 | 779 | 15,214 | 27,059 |
| Insurance | 6,242 | 644 | 616 | 7,502 | 8,343 |
| Travel | 14,516 | 51 | 1,457 | 16,024 | 16,614 |
| Conference and workshop | 4,867 | 40 | 797 | 5,704 | 4,628 |
| Communications/Events | 28,703 | 253 | 191 | 29,147 | 71,016 |
| Fundraising | - | - | 15,695 | 15,695 | 48,723 |
| Professional services | 4,749 | 526 | 225 | 5,500 | 6,172 |
| Equipment lease | 4,699 | 461 | 340 | 5,500 | 5,700 |
| Donated goods and services | 2,900 | - | 5,418 | 8,318 | 19,612 |
| Other operations | 20,932 | 1,660 | 960 | 23,552 | 29,981 |
| Subtotal | <u>2,083,079</u> | <u>183,235</u> | <u>163,697</u> | <u>2,430,011</u> | <u>2,297,740</u> |
| Percentage of total operational expenses | 85.8% | 7.5% | 6.7% | 100.0% | |
| Campaign: | | | | | |
| Fundraising | - | - | 103,421 | 103,421 | - |
| Design Fees/Other | 98,967 | - | - | 98,967 | - |
| Total | <u>\$ 2,182,046</u> | <u>\$ 183,235</u> | <u>\$ 267,118</u> | <u>\$ 2,632,399</u> | <u>\$ 2,297,740</u> |

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

| | <u>2021</u> | <u>2020</u> |
|---|--------------------|-------------------|
| <u>Cash flows from operating activities</u> | | |
| Change in net assets | \$1,612,314 | \$ 334,008 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Interest on certificates of deposit | - | (397) |
| <u>Changes in operating assets and liabilities</u> | | |
| (Increase) Decrease in: | | |
| Program services receivable | (6,072) | (413) |
| Grants receivable | 140,189 | (161,082) |
| Contributions receivable | (835,096) | 34,200 |
| Prepaid expense | (21,437) | 5,333 |
| Increase (Decrease) in: | | |
| Accounts payable | (17,551) | 44,498 |
| Accrued compensation and withholdings | (2,855) | 8,154 |
| Deferred revenue | <u>17,250</u> | <u>(21,362)</u> |
| Net cash provided by operating activities | <u>886,742</u> | <u>242,939</u> |
| <u>Cash flows from investing activities</u> | | |
| Maturation of certificates of deposit | <u>7,291</u> | <u>55,149</u> |
| Net cash provided by investing activities | <u>7,291</u> | <u>55,149</u> |
| Net increase in cash and cash equivalents | 894,033 | 298,088 |
| Cash and cash equivalents, beginning of period | <u>777,729</u> | <u>479,641</u> |
| Cash and cash equivalents, end of period | <u>\$1,671,762</u> | <u>\$ 777,729</u> |

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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 \$2,446,792 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,671,762, and the current portion of program services, grants, and contributions receivable totaling \$775,030. Certain grants receivable amounts are subject to donor restrictions as outlined in Note 10. 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 \$399,000. 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 \$8,318 and \$19,612 for the years ended September 30, 2021 and 2020, 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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

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, 2018, 2019, and 2020.

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 2 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, 2021 and 2020.

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, 2021 and 2020, was \$67,438 and \$50,188 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 \$5,000 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 Organization has determined that current operational cash needs will occasionally result in balances in excess of insured limits. At September 30, 2021, and 2020 balances in excess of federally insured limits were \$1,171,456 and \$338,070, respectively. Accounts receivable are currently considered fully collectible.

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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

Advertising

The company expenses advertising as incurred. The total expense for the years ended September 30, 2021 and 2020 were \$51 and \$150 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, 2021, and 2020, accrued PTO balances were \$39,734 and \$43,537 respectively.

NOTE 3 – CERTIFICATES OF DEPOSIT

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 \$13,338. \$11,305 of this C.D. is restricted. Additional information is disclosed in Note 10.

The Organization had a 19-month C.D. which matured March 27, 2021 with United Bank. The annual percentage rate was 2.23%. The original deposit was \$7,347 on August 27, 2019 and matured at a value of \$7,610.

The Organization had a 12-month C.D. which matured March 4, 2020 with Comerica Bank. The annual percentage rate was 2.23%. The original deposit was \$54,533 on March 4, 2019 and matured at a value of \$55,765.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| <u>Description</u> | <u>2021</u> | <u>2020</u> |
|---------------------------------|---------------|---------------|
| Furniture and equipment | \$ 6,267 | \$ 6,267 |
| Computer Equipment and Software | <u>7,350</u> | <u>15,675</u> |
| Total | \$ 13,617 | \$ 21,942 |
| Less: Accumulated depreciation | <u>13,617</u> | <u>21,942</u> |
| Net property and equipment | <u>\$ -0-</u> | <u>\$ -0-</u> |

Depreciation expense for the fiscal years ended September 30, 2021 and 2020 was \$0 and \$0 respectively.

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, 2021, and 2020, the balance on this line was \$0.

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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, 2020 and has a 24-month term, calling for monthly payments of \$9,176 through October 1, 2021, and \$9,322 thereafter. A six-month written notice was given by the Organization in which the lease will be terminated on March 31, 2022.

Total rent expense for the years ended September 30, 2021 and 2020 was \$110,112 for both years ended.

The Organization leases office equipment under an operating lease agreement with an inception date of October 27, 2020. The lease has a 48-month term calling for monthly payments of \$455. Lease expense for the years ended of September 30, 2021 and 2020 under this agreement was \$5,500 and \$5,700, respectively.

The minimum future lease payments under these leases as of September 30, 2021 for each of the next five years are:

| <u>Fiscal Year</u> | <u>Amount</u> |
|--------------------|------------------|
| 2022 | 61,392 |
| 2023 | 5,460 |
| 2024 | <u>5,460</u> |
| Total | <u>\$ 72,312</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 3% of the employee's wages, which increased from 2% as of 1/1/2021. For the years ended September 30, 2021 and 2020, the total amount contributed to the plan was \$33,380 and \$21,805 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, 2021, 24% of the Organization's revenue came from reimbursable government grants, 27% came from government agency contracts, and 44% came from contributions.

For the year ended September 30, 2020, 28% of the Organization's revenue came from reimbursable government grants, 39% came from government agency contracts, and 24% came from private grants.

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

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NOTE 9 – CAPITAL CAMPAIGN

During the year ended September 30, 2021, the Board of Directors of the Organization approved the move of its offices from 3600 Camelot SE to be a part of the Special Olympics Michigan Inclusion Campus at 160 68th Street SW in the year ending September 30, 2022. To fund the cost of the remodeling of that space, and to fund an expansion of its Home Accessibility Services, the Board also approved a \$2.5 million capital campaign. For the year ended September 30, 2021, \$1,710,413 in revenue and \$202,388 in remodeling project expenses were recorded for the campaign. As a result, during the year ended September 30, 2021, there was a significant increase in net assets. These assets will be expensed in the year ending September 30, 2022, which will result in a significant decrease in net assets. When factoring out the capital campaign revenue and expenses, the Organization saw an increase in net assets of \$104,289 for the year ended September 30, 2021.

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets are available for the following purposes:

| <u>Restricted purpose:</u> | <u>2021</u> | <u>2020</u> |
|---------------------------------------|---------------------|-------------------|
| Advocacy Programs | \$ 339,538 | \$ 442,329 |
| Occupational Therapy Services Program | 100,311 | 44,597 |
| Staff Training and Scholarships | 11,305 | 11,305 |
| Workforce Development | 17,791 | 65,280 |
| Capital Campaign | 1,508,025 | - |
| Other Operations | <u>39,958</u> | <u>103,698</u> |
| Temporarily Restricted Net Assets | <u>\$ 2,016,928</u> | <u>\$ 667,209</u> |

NOTE 11 – PAYCHECK PROTECTION PROGRAM (“PPP”) LOAN

On February 8, 2021 and April 30, 2020, the Organization received loan proceeds in the amount of \$100,000 and \$155,000, respectively, under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The loans were forgiven in full on October 26, 2021 and November 2, 2020, respectively.

NOTE 12 – COMPARATIVE STATEMENTS

Comparative Data

Certain amounts shown for the year ended September 30, 2020 in the accompanying financial statements are included to provide a basis for comparison with 2020 and present summarized totals only. Accordingly, 2020 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, 2020 from which the summarized information was derived.

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NOTE 13 – 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.