

Disability Advocates of Kent County

Audited Financial Statements

For the years ended
September 30, 2020 and
2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 5, 2021

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 777,729	\$ 479,641
Certificates of deposit	7,527	55,149
Accounts receivable:		
Program services receivable	143,971	143,558
Grants receivable, current	258,516	227,434
Contributions receivable, current	37,000	36,200
Prepaid expenses	38,622	43,956
Lease deposit	1,889	1,889
	1,265,254	987,827
<u>Fixed assets</u>		
Net property and equipment	-	-
<u>Other assets</u>		
Certificates of deposit, long-term	13,102	20,231
Grants receivable, net of current portion	190,000	60,000
Contributions receivable, net of current portion	-	35,000
	203,102	115,231
<u>Total Assets</u>	1,468,356	1,103,058
<u>Liabilities</u>		
<u>Current liabilities</u>		
Accounts payable	51,414	6,916
Accrued compensation and withholdings	97,314	89,160
Deferred revenue	50,188	71,550
	198,916	167,626
Total current liabilities	198,916	167,626
Total liabilities	198,916	167,626
<u>Net assets</u>		
Net assets without donor restrictions	602,231	558,511
Net assets with donor restrictions	667,209	376,921
	1,269,440	935,432
<u>Total liabilities and net assets</u>	\$ 1,468,356	\$ 1,103,058

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020		2019	
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Government grants	710,233	\$ 18,304	\$ 728,537	\$ 640,030
Other grants	170,557	465,443	636,000	36,500
Contributions	208,929	-	208,929	235,754
Donated goods and services	19,612	-	19,612	10,426
Program service revenue	1,034,054	-	1,034,054	1,122,666
Miscellaneous revenue	4,616	-	4,616	11,279
Net assets released from restrictions	193,459	(193,459)	-	-
 Total revenue and other support	 2,341,460	 290,288	 2,631,748	 2,056,655
<u>Expense</u>				
Program services	1,947,343	-	1,947,343	2,028,927
Management and general	177,405	-	177,405	193,040
Fundraising	172,992	-	172,992	148,841
 Total expenses	 2,297,740	 -	 2,297,740	 2,370,808
 Change in net assets	 43,720	 290,288	 334,008	 (314,153)
Net assets, beginning of period	558,511	376,921	935,432	1,249,585
Net assets, end of period	\$ 602,231	\$ 667,209	\$ 1,269,440	\$ 935,432

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

<u>Description</u>	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2020 Total</u>	<u>2019 Total</u>
Compensation:					
Salaries and wages	\$ 1,065,391	\$ 122,934	\$ 55,875	1,244,200	\$ 1,361,229
Payroll taxes	83,030	9,715	4,369	97,114	110,409
Benefits	167,867	17,650	8,873	194,390	187,676
Retirement	20,696	2,666	1,041	24,403	22,978
Subtotal	<u>1,336,984</u>	<u>152,965</u>	<u>70,158</u>	<u>1,560,107</u>	<u>1,682,292</u>
Consulting and contractual services	115,690	2,424	19,972	138,086	59,181
Consumer pass-through equipment	205,307	-	-	205,307	261,048
Office expense	22,063	1,815	4,630	28,508	22,187
Occupancy	109,479	12,370	6,035	127,884	128,012
Telephone	23,546	2,456	1,057	27,059	18,543
Insurance	7,140	808	395	8,343	8,781
Travel	15,719	383	512	16,614	40,335
Conference and workshop	4,628	-	-	4,628	20,680
Communications/Events	68,890	29	2,097	71,016	36,572
Fundraising	-	-	48,461	48,723	33,894
Professional services	5,218	561	393	6,172	5,500
Equipment lease	4,872	552	276	5,700	5,786
Donated goods and services	1,793	-	17,819	19,612	10,426
Other operations	26,014	3,042	1,187	29,981	37,571
Total	<u>\$ 1,947,343</u>	<u>\$ 177,405</u>	<u>\$ 172,992</u>	<u>2,297,740</u>	<u>\$ 2,370,808</u>
Percentage of total expenses	84.8%	7.7%	7.5%	100.0%	

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	2020	2019
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 334,008	\$ (314,153)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Interest on certificates of deposit	(397)	(1,249)
<u>Changes in operating assets and liabilities</u>		
(Increase) Decrease in:		
Program services receivable	(413)	75,979
Grants receivable	(161,082)	148,692
Contributions receivable	34,200	(26,200)
Prepaid expense	5,333	(8,909)
Increase (Decrease) in:		
Accounts payable	44,498	(9,730)
Accrued compensation and withholdings	8,154	(1,758)
Deferred revenue	(21,362)	12,625
Net cash provided by (used in) operating activities	242,939	(124,703)
<u>Cash flows from investing activities</u>		
Maturation of certificates of deposit	55,149	-
Net cash provided by investing activities	55,149	-
Net increase (decrease) in cash and cash equivalents	298,088	(124,703)
Cash and cash equivalents, beginning of period	479,641	604,344
Cash and cash equivalents, end of period	\$ 777,729	\$ 479,641
 Total cash paid for interest during the fiscal year	 -	 -

See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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 \$1,224,743 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$785,256, and the current portion of program services, grants, and contributions receivable totaling \$439,487. 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 \$378,000. 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 \$19,612 and \$10,426 for the years ended September 30, 2020 and 2019, 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.

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

**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, 2017, 2018, and 2019.

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, 2020 and 2019.

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, 2020 and 2019, was \$50,188 and \$71,550 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

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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, 2020, and 2019 balances in excess of federally insured limits were \$338,070 and \$151,668, respectively. Accounts receivable are currently considered fully collectible.

Advertising

The company expenses advertising as incurred. The total expense for the years ended September 30, 2020 and 2019 were \$150 and \$0 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, 2020, and 2019, accrued PTO balances were \$43,537 and \$33,862 respectively.

NOTE 3 – CERTIFICATES OF DEPOSIT

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.

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 \$13,102. \$11,305 of this C.D. is 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 \$7,527.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 6,267	\$ 6,267
Computer Equipment and Software	<u>15,675</u>	<u>15,675</u>
Total	\$ 21,942	\$ 21,942
Less: Accumulated depreciation	<u>21,942</u>	<u>21,942</u>
Net property and equipment	<u>\$ -0-</u>	<u>\$ -0-</u>

Depreciation expense for the fiscal years ended September 30, 2020 and 2019 was \$0 and \$0 respectively.

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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, 2020, and 2019, 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, 2020 and has a 24-month term, calling for monthly payments of \$9,176 through October 1, 2021, and \$9,322 afterwards. An option of lease termination can be granted by the Organization with a six-month written notice

Total rent expense for the years ended September 30, 2020 and 2019 was \$110,112 and \$110,112, respectively.

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, 2019 and 2018 under this agreement was \$5,700 and \$5,700, respectively.

The minimum future lease payments under these leases as of September 30, 2020 for each of the next five years are:

Fiscal Year	Amount
2021	115,572
2022	117,324
2023	5,460
2024	<u>5,460</u>
Total	<u>\$ 243,816</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, 2020 and 2019, the total amount contributed to the plan was \$21,805 and \$20,517 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, 2020, 28% of the Organization's revenue came from reimbursable government grants, 39% came from government agency contracts, and 24% came from 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.

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DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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>2020</u>	<u>2019</u>
Advocacy Programs	\$ 442,329	\$ 12,434
Occupational Therapy Services Program	44,597	16,196
Staff Training and Scholarships	11,305	11,305
Workforce Development	65,280	0
Other Operations	<u>103,698</u>	<u>336,986</u>
Temporarily Restricted Net Assets	<u>\$ 667,209</u>	<u>\$ 376,921</u>

NOTE 10 – COMPARATIVE STATEMENTS

Comparative Data

Certain amounts shown for the year ended September 30, 2019 in the accompanying financial statements are included to provide a basis for comparison with 2019 and present summarized totals only. Accordingly, 2019 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, 2019 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.

NOTE 12 – NEW ACCOUNTING STANDARDS

Effective for its annual financial statements for the fiscal year ending September 30, 2021, the Organization expects to adopt new accounting standards issued by FASB that will require significant changes in accounting for operating leases under which the Organization is lessee, and in the method and timing of recognition of certain nonlease contract revenues and certain incremental expenses such as sales commissions. Upon adoption, among other effects, the Organization will be required to record assets and liabilities for all operating lease obligations with terms of 12 months or greater. These changes will entail certain retrospective adjustments. The qualitative effects on the Organization's future financial statements of these changes and related retrospective adjustments have not yet been determined.

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See independent auditor's report and financial statements

DISABILITY ADVOCATES OF KENT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019

NOTE 13 – COVID-19

The outbreak of the COVID-19 pandemic and related economic repercussions have created uncertainty for the nonprofit industry. Government-ordered shutdowns of business deemed to be non-essential have temporarily changed the ability of the organization to carry out its programs. The timing and financial effects of these uncertainties on the organization cannot be reasonably estimated.