RESPECTABILITY

FINANCIAL STATEMENTS

DECEMBER 31, 2016

KRONZEK, FISHER & LOPEZ, PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of RespectAbility
Rockville, MD

We have audited the accompanying financial statements of RespectAbility (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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 RespectAbility as of December 31, 2016, 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.

Kronzek, Fisher & Lopez, PLLC
KRONZEK, FISHER & LOPEZ, PLLC
Washington, DC
April 21, 2017

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STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

Cash and cash equivalents	$	435,414
Receivables		363,565
Prepaid expenses		11,000
Furniture & equipment (net)		1,633
Deposits		9,819
TOTAL ASSETS	$	821,431

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	$	7,047
Deferred lease obligation		15,602
TOTAL LIABILITIES		22,649
NET ASSETS		
Unrestricted		(180,789)
Temporarily restricted		979,571
TOTAL NET ASSETS		798,782
TOTAL LIABILITIES AND NET ASSETS	$	821,431

See accompanying notes to financial statements.

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STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Grants & Contributions	299,684	250,000	549,684
Miscellaneous revenue	5,000	-	5,000
	304,684	250,000	554,684
Net assets released from:			
Satisfaction of program restrictions	262,610	(262,610)	-
Total revenue	567,294	(12,610)	554,684
EXPENSES			
Program Services			
Policy & Practices	106,594	-	106,594
Program Development Advocacy	158,786	-	158,786
Jewish Inclusion	91,197	-	91,197
Fellows	110,166	-	110,166
Total program expenses	466,743	-	466,743
Support Services			
Management	209,354	-	209,354
Website	39,677	-	39,677
Fundraising	94,578	-	94,578
Total support services	343,609	-	343,609
Total expenses	810,352	-	810,352
CHANGE IN NET ASSETS	(243,058)	(12,610)	(255,668)
Beginning net assets	62,269	992,181	1,054,450
Ending net assets	$ (180,789)	$ 979,571	$ 798,782

See accompanying notes to financial statements.

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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Policy & Practices	Program Development Advocacy	Jewish Inclusion	Fellows	Total Program	Management	Website	Fundraising	Total Expenses
Salaries, payroll taxes & benefits	$ 43,309	$ 52,890	$ 3,716	$ 18,117	$ 118,032	$ 111,349	$ 1,497	$ 36,440	$ 267,318
Fees for Services									
Legal	-	-	-	-	-	2,310	-	-	2,310
Accounting	-	-	-	-	-	29,070	-	-	29,070
Fellows	-	-	-	27,945	27,945	-	-	250	28,195
Charitable registrations	-	-	-	-	-	7,278	-	142	7,420
Outside contract services	21,293	9,753	68,067	10,101	109,214	1,407	4,860	27,748	143,229
Professional fees	-	22,000	-	-	22,000	-	-	-	22,000
Service fees	-	7,107	-	-	7,107	2,928	27,506	359	37,900
Cohort Fees	-	-	3,636	-	3,636	-	-	-	3,636
Advertising/promotion/media comm.	-	4,077	-	1,139	5,216	-	-	-	5,216
Office expense	-	-	-		-	1,138	-	-	1,138
Postage. printing & copying	864	11,478	-		12,342	614	51	2,056	15,063
Occupancy	12,961	20,597	12,183	13,997	59,738	37,562	4,925	12,064	114,289
Telephone/teleconferences	1,244	1,977	1,170	1,344	5,735	2,940	473	1,158	10,306
Travel/lodging/meals	9,836	24,426	1,572	35,241	71,075	3,183	20	9,903	84,181
Conferences/conventions/meetings	9,335	-	-	60	9,395	100	-	424	9,919
Insurance - general	20	63	-	-	83	4,898	-	-	4,981
Depreciation	-	-	-	-	-	426	-	-	426
Other	7,732	4,418	853	2,222	15,225	4,151	345	4,034	23,755
Total expenses	$ 106,594	$ 158,786	$ 91,197	$ 110,166	$ 466,743	$ 209,354	$ 39,677	$ 94,578	$ 810,352

See accompanying notes to financial statements.

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

Cash flows from operating activities:	
Change in net assets	$ (255,668)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	426
(Increase) decrease in assets	
Receivables	440,085
Prepaid expenses	12,182
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(22,537)
Deferred lease obligation	(3,390)
Net cash provided (used) by operating activities	171,098
Net increase (decrease) in cash and cash equivalents	171,098
Cash and cash equivalents - January 1, 2016	264,316
Cash and cash equivalents - December 31, 2016	$ 435,414

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

RespectAbility is an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is a publicly supported organization under Section 509(a)(1) of the Internal Revenue Code and Subsection 170(b)(1)(A)(vi). The mission of the organization is to reshape the attitudes of American society so that people with disabilities can more fully participate in and contribute to society, and to empower people with disabilities to achieve as much of the American dream as their abilities and efforts permit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for not-for-profit organizations.

Basis of Presentation – The financial statement presentation follows the provisions of the Financial Accounting Standards Board 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, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition – Grants and contributions are recognized when an unconditional grant or contribution has been awarded, or when the organization has satisfied the requirements of the condition. Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence of any donor restrictions.

Unrestricted grants & contributions are recognized in the unrestricted fund when awarded. Grants and contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets. When the provisions of the restriction have been met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The organization had no permanently restricted grants.

Cash and Cash Equivalents – The organization considers cash equivalents to be highly liquid investments with original maturities at time of purchase of less than 90 days.

Furniture and equipment - Furniture and equipment are recorded at cost. Depreciation is determined by the straight-line method based on an estimated useful life of five years.

Functional expenses – The organization accounts for its expenses on a functional basis. Functional expenses include certain allocated overhead costs (rent, telephone, insurance, etc.)

Fair Value of Financial Instruments - The financial instruments of the organization are reported on the statement of financial position at market or fair values, or at carrying amounts that approximate fair values because of the short maturity of the instruments. See Note 6 for a description of financial instruments carried at fair value.

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

NOTE 3 - CONCENTRATION OF CREDIT RISK

The organization maintains cash balances in excess of $250,000 in accounts, which are insured by the Federal Deposit Insurance Corporation up to $250,000. At December 31, 2016 the organization's cash balance in excess of FDIC insurance totaled $185,414.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Fellows	$754,689
WIOA (Policy and Practices)	224,882
Total	$979,571

Net assets were released from donor restrictions by incurring expenses satisfying the purpose of time or program restrictions specified by donors as follows:

Purpose restriction accomplished:

Fellows	$110,166
Jewish Inclusion	45,850
WIOA (Policy and Practices)	106,594
Total	$262,610

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Effective September 25, 2015 the organization moved and began leasing office space at 11333 Woodglen Drive, Suite 102, Rockville, MD through November 30, 2018. Monthly base rent payments under the new lease was abated 100% for the first two months. The total rent abatement to be recognized will be $19,207, and will be amortized over the life of the lease as a reduction to rent expense.

The organization's minimum lease commitment as of December 31, 2016 contained in the lease is as follows:

For the fiscal year ending –	
December 31, 2017	$ 121,899
December 31, 2018	114,594
Total	$ 236,493

Total rent expense for the year ended December 31, 2016 was $114,289.

Monthly rent expense to be recognized over the lease on a straight line basis will be $9,604 ($364,939 divided by 38 months). The difference between this amount recognized and paid will be adjusted to accrued expenses throughout the term of the lease.

NOTE 6 – FAIR VALUE MEASUREMENTS

The organization follows FASB ASC 820-10 for financial assets (and liabilities) measured on a recurring basis, as amended. FASB ASC 820-10 clarifies fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. FASB ASC 820-10 emphasizes that fair value is a market based measurement, not an entity-specific measurement, and therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FASB ASC 820-10 established a fair value hierarchy based upon the transparency of the inputs to the valuation of an asset or liability. These inputs may be observable, whereby the market participant assumptions are developed based on market data obtained from independent sources, and unobservable, whereby assumptions about market participant assumptions are developed by the reporting entity based on the best information available in the circumstances. The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

Level 1 – inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly, through corroboration with observable market data (market corroborated inputs).

Level 3 – unobservable inputs for the asset or liability including inputs that reflect the reporting entity's own assumptions in determining the fair value measurements.

As of December 31, 2016 the Organization did not have any assets and liabilities that are measured at fair value on a recurring basis.

NOTE 7 – INCOME TAXES

The organization is exempt from income taxes under Internal Revenue Code 501(c)(3) and applicable Maryland statutes. No provision for income taxes is required at December 31, 2016, as the Organization had no net unrelated business income.

The organization follows FASB ASC 740 Income Taxes, the authoritative guidance relating to accounting for uncertainty in income taxes. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organization performed an evaluation of uncertain tax positions for the year ended December 31, 2016, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax- exempt status. As of December 31, 2016, the statute of limitations for tax years 2013 through 2015 remains open with Federal and Maryland authorities.

NOTE 8 – SUBSEQUENT EVENTS

The organization's management has evaluated subsequent events through April 21, 2017, the date the financial statements were available to be issued. There were no subsequent events identified through April 21, 2017 which were required to be disclosed in these financial statements.