

RESPECTABILITY
FINANCIAL STATEMENTS
DECEMBER 31, 2018

RESPECTABILITY

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3
BASIC FINANCIAL STATEMENTS	
Statement of Financial Position December 31, 2018	4
Statement of Activities For the year ended December 31, 2018	5
Statement of Functional Expenses For the year ended December 31, 2018	6
Statement of Cash Flows For the year ended December 31, 2018	7
NOTES TO FINANCIAL STATEMENTS	8-11

KRONZEK, FISHER & LOPEZ, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
607 2ND STREET, NE
WASHINGTON, DC 20002-4909
TEL: (202) 547-CPAS (2727) FAX: (202) 547-2728
www.cpakfl.com

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, 2018, 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

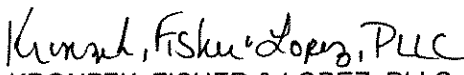
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 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.


KRONZEK, FISHER & LOPEZ, PLLC
Washington, DC
May 6, 2019

RESPECTABILITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Cash and cash equivalents	\$ 901,750
Receivables	286,079
Prepaid expenses	25,242
Furniture & equipment (net)	8,509
Deposits	<u>9,819</u>
TOTAL ASSETS	<u>\$ 1,231,399</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 5,258</u>
TOTAL LIABILITIES	<u>5,258</u>
NET ASSETS	
Without donor restrictions	(99,138)
With donor restrictions	<u>1,325,279</u>
TOTAL NET ASSETS	<u>1,226,141</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,231,399</u>

See accompanying notes to financial statements.

RESPECTABILITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants & contributions	\$ 550,808	\$ 535,000	\$ 1,085,808
In-Kind contributions	100,000	-	100,000
Interest income	1,638	-	1,638
Miscellaneous revenue	100	-	100
	<u>652,546</u>	<u>535,000</u>	<u>1,187,546</u>
Net assets released from:			
Satisfaction of program restrictions	661,703	(661,703)	-
	<u>1,314,249</u>	<u>(126,703)</u>	<u>1,187,546</u>
EXPENSES			
Program Services			
Policy & Practices	326,411	-	326,411
Program Development Advocacy	243,101	-	243,101
Jewish Inclusion	23,840	-	23,840
National Leadership/Fellows	275,226	-	275,226
Community Outreach Partnerships (COP)	196,970	-	196,970
Total program expenses	<u>1,065,548</u>	<u>-</u>	<u>1,065,548</u>
Support Services			
Management	172,971	-	172,971
Website	19,735	-	19,735
Fundraising	161,910	-	161,910
Total support services	<u>354,616</u>	<u>-</u>	<u>354,616</u>
Total expenses	<u>1,420,164</u>	<u>-</u>	<u>1,420,164</u>
CHANGE IN NET ASSETS	(105,915)	(126,703)	(232,618)
Beginning net assets	<u>6,777</u>	<u>1,451,982</u>	<u>1,458,759</u>
Ending net assets	<u>\$ (99,138)</u>	<u>\$ 1,325,279</u>	<u>\$ 1,226,141</u>

See accompanying notes to financial statements.

RESPECTABILITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Policy & Practices	Program Development Advocacy	Jewish Inclusion	National Leadership/ Fellows	Community Outreach Program (COP)	Total Program	Management	Website	Fundraising	Total Expenses
Salaries, payroll taxes & benefits	\$ 196,052	\$ 148,003	\$ 10,000	\$ 130,065	\$ -	\$ 484,120	\$ 73,488	\$ -	\$ 86,749	\$ 644,357
Fees for Services										
Accounting	-	-	-	-	-	-	15,800	-	-	15,800
Fellows	-	-	-	28,816	-	28,816	-	-	-	28,816
Charitable registrations	-	-	-	-	689	689	12,656	-	-	13,345
Outside contract services	40,882	6,240	11,000	37,516	77,188	172,826	24,435	-	24,500	221,761
Professional fees	-	6,000	-	-	-	6,000	-	-	-	6,000
Service fees	-	-	-	-	2,151	2,151	-	-	4,314	6,465
Advertising/promotion/media comm.	915	19,568	219	589	9,758	31,049	560	-	1,194	32,803
Office expense	1,581	3,984	-	6,703	-	12,268	1,561	-	716	14,545
Postage, printing & copying	11,655	13,384	-	15	12,205	37,259	157	-	1,578	38,994
Info. technology/websites/webinars	2,230	7,599	-	611	-	10,440	3,332	19,735	-	33,507
Occupancy	27,728	21,902	1,268	23,034	17,992	91,924	29,333	-	13,608	134,865
Telephone/teleconferences	11,157	1,787	103	1,881	1,469	16,397	2,395	-	1,111	19,903
Travel/lodging/meals	22,454	3,176	373	43,437	56,340	125,780	3,615	-	10,590	139,985
Conferences/conventions/meetings	6,657	-	30	755	17,802	25,244	500	-	13,629	39,373
Insurance - general	1,828	1,443	84	1,518	1,186	6,059	1,934	-	897	8,890
Depreciation	293	233	13	244	190	973	311	-	144	1,428
Other	2,979	9,782	750	42	-	13,553	2,894	-	2,880	19,327
Total expenses	\$ 326,411	\$ 243,101	\$ 23,840	\$ 275,226	\$ 196,970	\$ 1,065,548	\$ 172,971	\$ 19,735	\$ 161,910	\$ 1,420,164

6

See accompanying notes to financial statements.

RESPECTABILITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash flows from operating activities:		
Change in net assets	\$	(232,618)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation		1,428
(Increase) decrease in assets		
Receivables		615,219
Prepaid expenses		(3,331)
Fixed assets		(5,719)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses		(5,902)
Deferred lease obligation		(8,951)
Net cash provided (used) by operating activities		<u>360,126</u>
Net increase (decrease) in cash and cash equivalents		360,126
Cash and cash equivalents - January 1, 2018		<u>541,624</u>
Cash and cash equivalents - December 31, 2018	\$	<u><u>901,750</u></u>

See accompanying notes to financial statements.

RESPECTABILITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 organization's mission is to fight stigmas and advance opportunities so that people with disabilities can fully participate in all aspects of the community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Change in Accounting Principle – In August 2016, the FASB issued ASU 2016-14, Presentation of Financial Statements for Not-For-Profit Entities, which requires not-for-profit entities to revise the financial presentation to include: net asset classifications, provide quantitative and qualitative information as to available resources and management of liquidity and liquidity risk, information on investment expenses and returns, and the presentation of operating cash flows. The standard aims to help the reader of the financial statements to better understand the financial position of the organization and enhance consistency among similar organization. The organization adopted the new standard as of December 31, 2018, and there were no material changes to the statement of financial position, activities or cash flows as a result of the adoption.

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.

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 with donor restrictions or without donor restrictions depending on the existence of any donor restrictions.

Net Assets – Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantors) restrictions.

Net Asset With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has

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.)

RESPECTABILITY

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2018

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, 2018 the organization's cash balance in excess of FDIC insurance totaled \$401,749.

NOTE 4 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets With Donor Restrictions are available for the following purposes:

Fellows	\$776,402
Jewish Inclusion	39,673
WIOA (Policy and Practices)	<u>509,204</u>
Total	\$1,325,279

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	\$252,226
Community Outreach Project (COP)	92,226
Jewish Inclusion	13,840
WIOA (Policy and Practices)	<u>303,411</u>
Total	\$661,703

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 this 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 original lease as a reduction to rent expense. On December 21, 2017 the organization extended their lease through December 31, 2020.

The organization's minimum lease commitment as of December 31, 2018 contained in the leases is as follows:

RESPECTABILITY

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2018

NOTE 5 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

For the fiscal year ending –	
December 31, 2019	\$ 127,797
December 31, 2020	<u>130,992</u>
Total	<u>\$ 258,789</u>

Total rent expense for the year ended December 31, 2018 was \$134,865.

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, 2018 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, 2018, 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

RESPECTABILITY

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2018

NOTE 7 – INCOME TAXES (CONTINUED)

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, 2018, 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, 2018, the statute of limitations for tax years 2015 through 2017 remains open with Federal and Maryland authorities.

NOTE 8 - DONATED SERVICES

The organization received donated services from the organization's President during the year. The value of these services totaled \$100,000 for the year ended December 31, 2018. The income and related expense of these donated services are recognized on these financial statements respectively under in-kind contributions and salaries.

NOTE 9 - LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year end	\$1,187,829
Less those unavailable for general expenditures within one year due to:	
Restriction by donor for purpose	(1,325,279)
Financial assets available to meet cash needs for general expenditures within one year	<u>(\$ 137,450)</u>

As demonstrated above, the organization does have liquid assets to finance its operations although at December 31, 2018, all liquid assets were with donor restrictions. In the short term the organization is using these assets to continue its operations. Most of these assets are budgeted to pay core expenses but the efforts of those core operations are restricted to be spent on designated programs. The organization is currently fundraising to generate grants and contributions without donor restrictions, to reimburse these programs and fund ongoing operations.

NOTE 10 – SUBSEQUENT EVENTS

The organization's management has evaluated subsequent events through May 6, 2019 the date the financial statements were available to be issued. There were no subsequent events identified through May 6, 2019 which were required to be disclosed in these financial statements.