

Services for Independent Living, Inc.

Financial Statements and
Independent Auditor's Report

September 30, 2020 and 2019

Services for Independent Living, Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Services for Independent Living, Inc.
Cleveland, Ohio

We have audited the accompanying financial statements of Services for Independent Living, Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Services for Independent Living, Inc. as of September 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Kopit & Associates, LLC

Cleveland, Ohio
January 19, 2021

SERVICES FOR INDEPENDENT LIVING, INC.
 Statements of Financial Position
 September 30, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 16,291	\$ 11,596
Grants and accounts receivable	31,400	28,918
Prepaid items	5,088	4,514
Total current assets	52,779	45,028
Property and equipment:		
Furniture	42,261	42,261
Office equipment	57,623	35,628
Leasehold improvements	151,628	151,628
	251,512	229,517
Less accumulated depreciation and amortization	179,531	156,398
	71,981	73,119
Other assets:		
Investments (Note 2)	317,824	311,584
Deposits	5,292	5,292
Artwork, at estimated fair value	5,000	5,000
	328,116	321,876
Total assets	\$ 452,876	\$ 440,023
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 1,669	\$ 29,079
Accrued vacation and sick time	46,200	48,571
Total current liabilities	47,869	77,650
Revolving credit note (Note 3)	60,335	60,335
Total liabilities	108,204	137,985
Net assets:		
Without donor restrictions	344,672	293,007
With donor restrictions	-	9,031
Total net assets	344,672	302,038
Total liabilities and net assets	\$ 452,876	\$ 440,023

The notes to financial statements are an integral part of these statements.

SERVICES FOR INDEPENDENT LIVING, INC.
Statement of Activities
Year ended September 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Grants	\$ 837,126	\$ -	\$ 837,126
Contributions	2,194	-	2,194
Service fees	103,199	-	103,199
Realized/unrealized gain on investments	6,240	-	6,240
Interest income	3	-	3
Miscellaneous	12,649	-	12,649
Net assets released from restrictions	<u>9,031</u>	<u>(9,031)</u>	<u>-</u>
	<u>970,442</u>	<u>(9,031)</u>	<u>961,411</u>
Expenses:			
Program services (Note 4)	644,647	-	644,647
Supporting services:			
Fundraising	72,763	-	72,763
General and administrative	<u>201,367</u>	<u>-</u>	<u>201,367</u>
Total supporting services	<u>274,130</u>	<u>-</u>	<u>274,130</u>
Total expenses	<u>918,777</u>	<u>-</u>	<u>918,777</u>
Change in net assets	51,665	(9,031)	42,634
Net assets at beginning of year	<u>293,007</u>	<u>9,031</u>	<u>302,038</u>
Net assets at end of year	<u>\$ 344,672</u>	<u>\$ -</u>	<u>\$ 344,672</u>

The notes to financial statements are an integral part of these statements.

SERVICES FOR INDEPENDENT LIVING, INC.
Statement of Activities
Year ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Grants	\$ 657,554	\$ 9,031	\$ 666,585
Contributions	2,809	-	2,809
Service fees	96,869	-	96,869
Realized/unrealized gain on investments	13,625	-	13,625
Special event, net of expenses of \$13,042	710	-	710
Interest income	11	-	11
Miscellaneous	620	-	620
Net assets released from restrictions	<u>31,000</u>	<u>(31,000)</u>	<u>-</u>
	<u>803,198</u>	<u>(21,969)</u>	<u>781,229</u>
Expenses:			
Program services (Note 4)	675,998	-	675,998
Supporting services:			
Fundraising	23,768	-	23,768
General and administrative	<u>184,550</u>	<u>-</u>	<u>184,550</u>
Total supporting services	<u>208,318</u>	<u>-</u>	<u>208,318</u>
Total expenses	<u>884,316</u>	<u>-</u>	<u>884,316</u>
Change in net assets	(81,118)	(21,969)	(103,087)
Net assets at beginning of year	<u>374,125</u>	<u>31,000</u>	<u>405,125</u>
Net assets at end of year	<u>\$ 293,007</u>	<u>\$ 9,031</u>	<u>\$ 302,038</u>

The notes to financial statements are an integral part of these statements.

SERVICES FOR INDEPENDENT LIVING, INC
Statement of Functional Expenses
Year ended September 30, 2020

	Program Services	Fund- raising	General and Admin.	Total
Payroll	\$ 312,671	\$ 44,667	\$ 89,335	\$ 446,673
Payroll taxes	27,509	3,930	7,860	39,299
Employee benefits	80,008	11,430	22,859	114,297
	<u>420,188</u>	<u>60,027</u>	<u>120,054</u>	<u>600,269</u>
Advertising	-	-	4,545	4,545
Bank fees	-	-	411	411
Depreciation and amortization	-	-	23,133	23,133
Dues and subscriptions	6,194	-	1,549	7,743
Equipment rental	3,242	463	926	4,631
Insurance	4,987	712	1,425	7,124
Interest expense	-	-	2,546	2,546
Licenses and fees	-	-	3,318	3,318
Maintenance and repairs	-	-	64	64
Miscellaneous	987	-	247	1,234
Meetings	-	-	623	623
Office expense	910	130	260	1,300
Printing	2,641	377	755	3,773
Professional fees	38,227	-	16,383	54,610
Program expense	77,813	-	-	77,813
Rent	67,063	9,580	19,161	95,804
Telephone	7,228	1,033	2,065	10,326
Training	3,078	-	769	3,847
Travel	9,003	-	2,251	11,254
Utilities	3,086	441	882	4,409
	<u>\$ 644,647</u>	<u>\$ 72,763</u>	<u>\$ 201,367</u>	<u>\$ 918,777</u>

The notes to financial statements are an integral part of these statements.

SERVICES FOR INDEPENDENT LIVING, INC.
Statement of Functional Expenses
Year ended September 30, 2019

	Program Services	Fund- raising	General and Admin.	Total
Payroll	\$ 333,209	\$ 13,294	\$ 84,885	\$ 431,388
Payroll taxes	33,462	1,612	8,534	43,608
Employee benefits	<u>81,917</u>	<u>2,201</u>	<u>19,438</u>	<u>103,556</u>
	448,588	17,107	112,857	578,552
Advertising	225	-	-	225
Bank fees	-	-	434	434
Depreciation and amortization	13,772	527	10,461	24,760
Dues and subscriptions	250	-	1,011	1,261
Equipment rental	3,503	201	1,353	5,057
Insurance	1,647	137	1,397	3,181
Interest expense	-	-	1,669	1,669
Licenses and fees	59	-	4,197	4,256
Maintenance and repairs	-	-	239	239
Minor equipment	691	-	930	1,621
Miscellaneous	553	22	819	1,394
Meetings	296	-	982	1,278
Office expense	527	13	1,452	1,992
Printing	4,083	-	686	4,769
Professional fees	22,432	400	25,945	48,777
Program expense	68,324	-	-	68,324
Rent	74,272	4,830	15,753	94,855
Telephone	4,992	315	1,072	6,379
Training	1,211	-	1,110	2,321
Travel	27,341	-	1,430	28,771
Utilities	<u>3,232</u>	<u>216</u>	<u>753</u>	<u>4,201</u>
	<u>\$ 675,998</u>	<u>\$ 23,768</u>	<u>\$ 184,550</u>	<u>\$ 884,316</u>

The notes to financial statements are an integral part of these statements.

SERVICES FOR INDEPENDENT LIVING, INC.
Statements of Cash Flows
Years ended September 30, 2020 and 2019

	2020	2019
Operating activities:		
Change in net assets	\$ 42,634	\$ (103,087)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	23,133	24,760
Realized/unrealized gain on investments	(6,240)	(13,625)
Changes in operating assets and liabilities:		
Grants and accounts receivable	(2,482)	(4,924)
Prepaid items	(574)	(3,373)
Accounts payable	(27,410)	28,073
Accrued liabilities	(2,371)	16,957
Net cash from operating activities	26,690	(55,219)
Investing activities:		
Purchases of property and equipment	(21,995)	-
Net cash from investing activities	(21,995)	-
Financing activities:		
Revolving credit note, net	-	35,335
Net cash from financing activities	-	35,335
Net change in cash and cash equivalents	4,695	(19,884)
Cash and cash equivalents at beginning of year	11,596	31,480
Cash and cash equivalents at end of year	\$ 16,291	\$ 11,596
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 2,546	\$ 1,669

The notes to financial statements are an integral part of these statements.

SERVICES FOR INDEPENDENT LIVING, INC.
Notes to Financial Statements
September 30, 2020 and 2019

Note 1 Summary of significant accounting policies:

Services for Independent Living, Inc. (SIL) (the Organization) is a nonprofit corporation, which provides consumer-driven services and advocacy to empower individuals with disabilities to lead self-directed and inclusive lives in the community. SIL's primary source of financial support is through a grant from the United States Department of Health and Human Services (HHS). SIL's core services include peer support, advocacy, information and referral, and independent living skills training. SIL is a United Way agency.

The financial statements are prepared on the accrual basis of accounting, under which revenues are recognized when granted or earned, and expenses are recognized when incurred.

ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, issued in August 2016 by the FASB, requires a not-for-profit (NFP) to present on the face of the statements of financial position amounts for two classes of net assets (without donor restrictions and with donor restrictions) rather than the previously required three classes. The amendments also enhance disclosures about the amount and purposes of board designations, appropriations, and similar actions and qualitative and quantitative information that communicates how an NFP manages its liquid resources available to meet cash needs within one year of the statement of financial position date. Additional disclosures are required surrounding the amounts of expenses by both their natural classification and the method(s) used to allocate costs among program and support functions. The effective date for this ASU is for fiscal years beginning after December 15, 2017.

As required by ASU No. 2016-14, contributions received are recorded as support without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. For the years ended September 30, 2020 and 2019, net assets with donor restrictions of \$-0- and \$9,031, respectively, are included in cash and cash equivalents and receivables. Releases from restrictions in 2020 were \$9,031, of which \$-0- was released due to expiration of time restrictions and \$9,031 due to expenditures. Releases in 2019 of \$31,000 were \$-0- due to time and \$31,000 due to expenditures.

Also, SIL has adopted guidance for recognition of revenue and guidance for contributions received and contributions made. The adoption of this guidance did not have a significant impact on the Organization's financial statements.

The Organization recognizes those donated services that create or enhance non-financial assets, or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

In addition, volunteers donate significant amounts of their time to the Organization. No amounts have been reflected in the financial statements for any donated services because no objective basis is available to measure the value of such services.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SERVICES FOR INDEPENDENT LIVING, INC.
Notes to Financial Statements
September 30, 2020 and 2019

Note 1 **continued.**

Cash equivalents:

The Organization considers all short-term, highly liquid investments to be cash equivalents. These investments are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risks of changes in value due to interest rate fluctuations.

Concentration of credit risk:

The Organization maintains its cash in a bank account which, at times, may exceed Federally insured limits. SIL has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash. In addition, the primary source of SIL's support is derived from grants awarded from HHS. Without such support, the Organization's activities would cease or be curtailed. Finally, the COVID-19 outbreak and associated responses could impact the Organization and present uncertainty with respect to potential changes in future operations.

Liquidity:

The Organization's policy is to structure its financial assets to be available as its general expenses, liabilities and other obligations become due. All current assets shown on the Statements of Financial Position are available for general expenditures within one year of the date of the financial statements, with the exception of current assets restricted or designated for specific purposes. Receivables are subject to implied time restrictions but are expected to be collected within one year.

Grants and accounts receivable:

Based upon management's reviews of specific receivables, SIL considers all receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made.

Property and equipment:

Property and equipment are stated at cost, if purchased, or at fair market value on the date of donation, if contributed. Costs of maintenance and repairs are charged to expenses; costs of renewals and betterments, when significant in amount, are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, as follows:

<u>Category</u>	<u>Estimated Useful Life</u>
Furniture	7 years
Office equipment	5 years
Leasehold improvements	10 years

Impairment of long-lived assets:

As required by the Property, Plant and Equipment topic of FASB ASC, the Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss was recognized during the years ended September 30, 2020 and 2019.

Advertising:

Advertising costs are expensed as incurred. Advertising expense on the Statements of Functional Expenses was \$4,545 and \$225 during the years ended September 30, 2020 and 2019, respectively.

SERVICES FOR INDEPENDENT LIVING, INC.
Notes to Financial Statements
September 30, 2020 and 2019

Note 1 **continued.**

Functional allocation of expenses:

The costs of providing program services and activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among program services and support services. Non-overhead expenses, such as direct program expenses and travel, are charged to each program as the expenses are incurred. For payroll expenses, each employee's time is evaluated separately; for example, if an employee works on one program, 100% of that person's payroll and payroll taxes is charged to that program. Other employees may work on program services and perform administrative functions as well; payroll and payroll taxes for them are allocated based upon the percentage of time, based on management's best estimate, spent on each area. Overhead expenses (e.g., occupancy) are allocated based upon the payroll allocation.

Fair value of financial instruments:

Fair value estimates are made at a specific point in time based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

As required by the Fair Value Measurements and Disclosures Topic of the FASB ASC, the Organization has adopted the standard related to financial assets and liabilities. The Organization has also adopted the required standard related to non-financial assets and liabilities. The adoption of these standards had no impact on the financial statements.

Fair value is a market-based measurement that is determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the Organization uses a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value, as follows:

- Level 1: Observable inputs such as quoted prices in active markets;
- Level 2: Input, other than the quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

For SIL, except for artwork, the financial assets and liabilities are reported at fair value based upon quoted prices for identical assets or liabilities in an active market (Level 1). Artwork is valued at cost, which management estimates to be fair value (Level 3).

Income taxes:

The Organization is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code. Income taxes on unrelated business income, if any, are provided at the applicable rates on income for financial reporting purposes.

The Organization has adopted the accounting guidance for Uncertainty in Income Taxes. The Organization's income tax filings are subject to audit by various taxing authorities. In evaluating its activities, the Organization believes its position of tax-exempt status is current based on current facts and circumstances. The Organization has assessed that there are no activities unrelated to its purpose and, therefore, no tax is to be recognized.

SERVICES FOR INDEPENDENT LIVING, INC.
Notes to Financial Statements
September 30, 2020 and 2019

Note 1 continued.

It is the policy of the Organization to include in operating expenses penalties and interest assessed by income taxing authorities. There are no penalties or interest from taxing authorities included in operating expenses for the years ended September 30, 2020 and 2019.

Recently issued pronouncements:

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (FASB) and are adopted by the Organization as of the specified effective date. Unless otherwise discussed, the Organization believes that the impact of other recently issued accounting pronouncements will not have a material impact on its financial position, statements of activities, changes in net assets, and cash flows, or do not apply to the Organization's operations.

The FASB issued an accounting standard update for leases. The guidance is effective for private companies for fiscal years beginning after December 15, 2021 (the Organization's fiscal year ending September 30, 2023). Management is evaluating the impact of the adoption of this guidance on the Organization's financial statements.

Evaluation of subsequent events:

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 19, 2021, which is the date the financial statements were available to be issued, and has determined that there were no such subsequent events.

Reclassifications:

Certain amounts in 2019 have been reclassified to conform to the 2020 presentation. These reclassifications had no effect on previously reported results of operations or net assets.

Note 2 Investments:

As discussed in Note 1, investments are stated at the fair value, as required by FASB ASC 958-320. SIL's investments are held by US Bancorp in money market funds and a single bond fund. The values are as follows:

	<u>2020</u>	<u>2019</u>
Money market funds	\$ 35,349	\$ 26,399
Lord Abbett Funds (bond fund)	<u>282,475</u>	<u>285,185</u>
	<u>\$ 317,824</u>	<u>\$ 311,584</u>

Fair market values are determined based on quoted market prices. Investment income or loss (including gains and losses on investments, interest, and dividends) is included in the Statements of Activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donors or by law.

SERVICES FOR INDEPENDENT LIVING, INC.
Notes to Financial Statements
September 30, 2020 and 2019

Note 3 Revolving credit note:

The balance in the revolving credit note consists of advances against the note, which has a limit of \$175,000. The note is secured by a blanket lien on all business assets. Interest on the note is payable monthly at the bank's prime rate (3.25% and 5.0% at September 30, 2020 and 2019, respectively) until the maturity date of November 6, 2022, at which time the principal and all accrued interest is due.

Note 4 Program services:

	2020	2019
Core programs	\$ 468,374	\$ 533,446
Personal care assistance	112,360	100,795
Accessibility program	63,913	41,757
	\$ 644,647	\$ 675,998

Note 5 Lease commitments:

SIL is in the seventh year of a ten-year lease for office space through February 2024. The lease requires monthly rental payments of \$8,142 in years seven and eight, and \$8,835 in years nine and ten. SIL pays for utilities and certain other operating expenses. Rent expense was \$95,804 and \$94,855 for the years ended September 30, 2020 and 2019, respectively.

In addition, SIL leases certain office equipment under noncancellable operating leases.

Future minimum required payments on the leases are as follows:

September 30,	Office	Equipment	Total
2021	\$ 97,704	\$ 2,366	\$ 100,070
2022	99,406	2,121	101,527
2023	100,622	707	101,329
2024	41,926	-	41,926
	\$ 339,658	\$ 5,194	\$ 344,852

Note 6 Employee benefit plan:

SIL has established an employee benefit plan under which employees can make elective deferrals as provided for under IRC Section 403(b). The pension expense for years ended September 30, 2020 and 2019 was \$20,804 and \$18,958, respectively, and is included in employee benefits expense in the Statements of Functional Expenses.