

**RESPECTABILITY
FINANCIAL STATEMENTS
DECEMBER 31, 2015**

KRONZEK, FISHER & LOPEZ, PLLC
Certified Public Accountants

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RESPECTABILITY

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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, 2015, 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

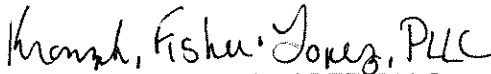
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2015, 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
April 27, 2016

RESPECTABILITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Cash and cash equivalents	\$ 264,316
Receivables	803,650
Prepaid expenses	23,182
Furniture & equipment (net)	2,059
Deposits	<u>9,819</u>
TOTAL ASSETS	<u>\$ 1,103,026</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 29,584
Deferred lease obligation	<u>18,992</u>
TOTAL LIABILITIES	<u>48,576</u>
NET ASSETS	
Unrestricted	62,269
Temporarily restricted	<u>92,181</u>
TOTAL NET ASSETS	<u>1,054,450</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,103,026</u>

See accompanying notes to financial statements.

RESPECTABILITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Grants & Contributions	194,166	1,426,710	1,620,876
Miscellaneous revenue	200	-	200
	<u>194,366</u>	<u>1,426,710</u>	<u>1,621,076</u>
Net assets released from:			
Satisfaction of program restrictions	434,529	(434,529)	-
	<u>628,895</u>	<u>992,181</u>	<u>1,621,076</u>
EXPENSES			
Program Services			
Policy & Practices	115,782	-	115,782
Program Development Advocacy	108,127	-	108,127
Jewish Inclusion	148,292	-	148,292
Fellows	65,701	-	65,701
Total program expenses	<u>437,902</u>	<u>-</u>	<u>437,902</u>
Support Services			
Management	104,438	-	104,438
Fundraising	117,337	-	117,337
Total support services	<u>221,775</u>	<u>-</u>	<u>221,775</u>
	<u>659,677</u>	<u>-</u>	<u>659,677</u>
CHANGE IN NET ASSETS	(30,782)	992,181	961,399
Beginning net assets	93,051	-	93,051
Ending net assets	<u>\$ 62,269</u>	<u>\$ 992,181</u>	<u>\$ 1,054,450</u>

See accompanying notes to financial statements.

RESPECTABILITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Policy & Practices	Program Development Advocacy	Jewish Inclusion	Fellows	Total Program	Management	Fundraising	Total Expenses
Salaries, payroll taxes & benefits	\$ 55,849	\$ 40,849	\$ -	\$ 418	\$ 97,116	\$ 28,612	\$ 36,934	\$ 162,662
Fees for Services								
Management	-	-	-	-	-	12,399	-	12,399
Legal	-	-	-	-	-	1,935	-	1,935
Accounting	-	-	-	-	-	16,537	-	16,537
Fellows	-	-	-	21,771	21,771	-	-	21,771
Charitable registrations	-	-	-	-	-	-	5,258	5,258
Outside contract services	-	-	23,130	-	23,130	5,996	13,079	42,205
Professional fees	-	-	95,284	-	95,284	-	-	95,284
Service fees	-	-	-	-	-	-	9,335	9,335
Cohort Fees	-	-	8,712	-	8,712	-	-	8,712
Leader Training	4,333	-	-	-	4,333	-	-	4,333
Advertising/promotion/media comm.	7,982	8,965	-	1,444	18,391	-	18,065	36,456
Office expense	669	669	-	669	2,007	-	669	2,676
Postage, Printing & copying	-	8,593	-	-	8,593	3,589	7,467	19,649
Information technology/website/webinars	9,145	9,144	-	1,991	20,280	8,034	12,215	40,529
Occupancy	9,968	9,968	9,968	9,968	39,872	4,983	4,982	49,837
Telephone/teleconferences	1,705	2,290	-	1,705	5,700	2,289	2,289	10,278
Travel/lodging/meals	22,807	24,326	11,198	2,477	60,808	4,387	1,103	66,298
Conferences/conventions/meetings	3,324	3,323	-	25,258	31,905	651	3,744	36,300
Insurance - general	-	-	-	-	-	2,369	-	2,369
Depreciation	-	-	-	-	-	71	-	71
Other	-	-	-	-	-	12,586	2,197	14,783
Total expenses	\$ 115,782	\$ 108,127	\$ 148,292	\$ 65,701	\$ 437,902	\$ 104,438	\$ 117,337	\$ 659,677

RESPECTABILITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities:	
Change in net assets	\$ 961,399
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	71
(Increase) decrease in assets	
Receivables	(781,585)
Prepaid expenses	(23,182)
Deposits	(9,819)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	29,584
Deferred lease obligation	18,992
Net cash provided (used) by operating activities	<u>195,460</u>
Cash flows from investing activities:	
Acquisition of equipment	<u>(2,130)</u>
Net cash provided (used) by investing activities	(2,130)
Net increase (decrease) in cash and cash equivalents	193,330
Cash and cash equivalents - January 1, 2015	<u>70,986</u>
Cash and cash equivalents - December 31, 2015	<u><u>\$ 264,316</u></u>

See accompanying notes to financial statements.

RESPECTABILITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

RESPECTABILITY

NOTES TO THE FINANCIAL STATEMENTS (CONT)

DECEMBER 31, 2015

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, 2015 the organization's cash balance in excess of FDIC insurance totaled \$14,316.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Fellows	\$614,855
Jewish Inclusion	45,850
WIOA (Policy and Practices)	<u>331,476</u>
Total	\$992,181

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	\$ 68,855
Presidential (Program development/Advocacy)	100,000
Jewish Inclusion	147,150
WIOA (Policy and Practices)	<u>118,524</u>
Total	\$434,529

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 will be 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, 2015 contained in the lease is as follows:

For the fiscal year ending –	
December 31, 2016	\$ 112,338
December 31, 2017	121,899
December 31, 2018	<u>114,594</u>
Total	<u>\$ 348,831</u>

Total rent expense for the year ended December 31, 2015 was \$49,837.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONT)

DECEMBER 31, 2015

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, 2015 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, 2015, 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, 2015, 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, 2015, the statute of limitations for tax years 2013 through 2014 remains open with Federal and Maryland authorities.

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NOTES TO THE FINANCIAL STATEMENTS (CONT)
DECEMBER 31, 2015

NOTE 8 – SUBSEQUENT EVENTS

The organization's management has evaluated subsequent events through April 27, 2016, the date the financial statements were available to be issued. There were no subsequent events identified through April 27, 2016 which were required to be disclosed in these financial statements.