

RESPECTABILITY
FINANCIAL STATEMENTS
DECEMBER 31, 2017

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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, 2017, 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

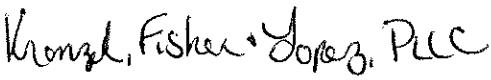
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2017, 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 26, 2018

RESPECTABILITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Cash and cash equivalents	\$ 541,624
Receivables	901,298
Prepaid expenses	21,911
Furniture & equipment (net)	4,218
Deposits	<u>9,819</u>
TOTAL ASSETS	<u>\$ 1,478,870</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 11,160
Deferred lease obligation	<u>8,951</u>
TOTAL LIABILITIES	<u>20,111</u>
NET ASSETS	
Unrestricted	6,777
Temporarily restricted	<u>1,451,982</u>
TOTAL NET ASSETS	<u>1,458,759</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,478,870</u>

See accompanying notes to financial statements.

RESPECTABILITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Grants & Contributions	\$ 638,530	\$ 900,000	\$ 1,538,530
Interest income	119	-	119
Miscellaneous revenue	650	-	650
	<u>639,299</u>	<u>900,000</u>	<u>1,539,299</u>
Net assets released from:			
Satisfaction of program restrictions	427,589	(427,589)	-
	<u>1,066,888</u>	<u>472,411</u>	<u>1,539,299</u>
EXPENSES			
Program Services			
Policy & Practices	122,267	-	122,267
Program Development Advocacy	143,410	-	143,410
Jewish Inclusion	1,487	-	1,487
National Leadership/Fellows	226,061	-	226,061
Community Outreach Partnerships (COP)	77,775	-	77,775
Total program expenses	<u>571,000</u>	<u>-</u>	<u>571,000</u>
Support Services			
Management	177,063	-	177,063
Website	6,057	-	6,057
Fundraising	125,202	-	125,202
Total support services	<u>308,322</u>	<u>-</u>	<u>308,322</u>
Total expenses	<u>879,322</u>	<u>-</u>	<u>879,322</u>
CHANGE IN NET ASSETS	187,566	472,411	659,977
Beginning net assets	<u>(180,789)</u>	<u>979,571</u>	<u>798,782</u>
Ending net assets	<u>\$ 6,777</u>	<u>\$ 1,451,982</u>	<u>\$ 1,458,759</u>

See accompanying notes to financial statements.

RESPECTABILITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	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	\$ 77,328	\$ 84,980	\$ -	\$ 111,454	\$ -	\$ 273,762	\$ 46,345	\$ -	\$ 65,279	\$ 385,386
Fees for Services										
Legal	-	-	-	-	-	-	2,150	-	-	2,150
Accounting	-	-	-	-	-	-	15,375	-	-	15,375
Fellows	-	-	-	24,821	-	24,821	-	-	-	24,821
Charitable registrations	-	-	-	-	-	-	6,014	-	-	6,014
Outside contract services	750	8,150	-	9,400	12,221	30,521	28,015	993	24,000	83,529
Professional fees	297	342	-	429	9,880	10,948	181	-	243	11,372
Service fees	-	-	-	-	575	575	-	-	-	575
Cohort Fees	-	-	-	-	-	-	-	-	-	-
Advertising/promotion/media comm.	-	3,534	-	3,174	-	6,708	3,263	-	858	10,829
Office expense	-	52	-	1,386	-	1,438	9,075	-	91	10,604
Postage, printing & copying	27	-	-	975	2,874	3,876	3,202	-	5,230	12,308
Info. technology/websites/webinars	185	24,196	-	250	1,697	26,328	4,520	4,245	50	35,143
Occupancy	15,180	18,134	193	28,678	9,825	72,010	39,813	770	15,835	128,428
Telephone/teleconferences	12,024	961	12	1,588	633	15,218	3,366	49	873	19,506
Travel/lodging/meals	6,386	500	237	42,810	38,351	88,284	4,415	-	8,996	101,695
Conferences/conventions/meetings	6,418	599	530	100	1,365	9,012	-	-	1,957	10,969
Insurance - general	-	-	-	-	-	-	4,837	-	-	4,837
Depreciation	-	-	-	-	-	-	733	-	-	733
Other	3,672	1,962	515	996	354	7,499	5,759	-	1,790	15,048
Total expenses	\$ 122,267	\$ 143,410	\$ 1,487	\$ 226,061	\$ 77,775	\$ 571,000	\$ 177,063	\$ 6,057	\$ 125,202	\$ 879,322

See accompanying notes to financial statements.

RESPECTABILITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

Cash flows from operating activities:	
Change in net assets	\$ 659,977
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	733
(Increase) decrease in assets	
Receivables	(537,733)
Prepaid expenses	(10,911)
Fixed assets	(3,318)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	4,113
Deferred lease obligation	(6,651)
Net cash provided (used) by operating activities	<u>106,210</u>
Net increase (decrease) in cash and cash equivalents	106,210
Cash and cash equivalents - January 1, 2017	<u>435,414</u>
Cash and cash equivalents - December 31, 2017	<u><u>\$ 541,624</u></u>

See accompanying notes to financial statements.

RESPECTABILITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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, 2017

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, 2017 the organization's cash balance in excess of FDIC insurance totaled \$291,624.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Fellows	\$778,628
Community Outreach Project (COP)	92,226
Jewish Inclusion	53,513
WIOA (Policy and Practices)	<u>527,615</u>
Total	\$1,451,982

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	\$226,061
Community Outreach Project (COP)	77,774
Jewish Inclusion	1,487
WIOA (Policy and Practices)	<u>122,267</u>
Total	\$427,589

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, 2017 contained in the leases is as follows:

For the fiscal year ending –	
December 31, 2018	\$ 125,241
December 31, 2019	127,797
December 31, 2020	<u>130,992</u>
Total	<u>\$ 384,030</u>

Total rent expense for the year ended December 31, 2017 was \$122,364.

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, 2017

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, 2017 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, 2017, 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, 2017, 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, 2017, the statute of limitations for tax years 2014 through 2016 remains open with Federal and Maryland authorities.

NOTE 8 – SUBSEQUENT EVENTS

The organization's management has evaluated subsequent events through April 26, 2018, the date the financial statements were available to be issued. There were no subsequent events identified through April 26, 2018 which were required to be disclosed in these financial statements.