

RESPECTABILITY
FINANCIAL STATEMENTS
DECEMBER 31, 2019

RESPECTABILITY

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3
BASIC FINANCIAL STATEMENTS	
Statement of Financial Position December 31, 2019	4
Statement of Activities For the year ended December 31, 2019	5
Statement of Functional Expenses For the year ended December 31, 2019	6
Statement of Cash Flows For the year ended December 31, 2019	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, 2019, 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

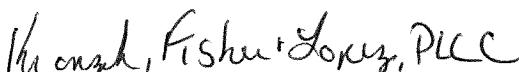
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2019, 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 29, 2020

RESPECTABILITY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Cash and cash equivalents	\$ 1,050,805
Receivables (net of present value)	2,452,186
Prepaid expenses	26,233
Furniture & equipment (net)	8,729
Deposits	<u>9,819</u>
 TOTAL ASSETS	 <u>\$ 3,547,772</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	<u>\$ 12,626</u>
 TOTAL LIABILITIES	 <u>12,626</u>
 NET ASSETS	
Without donor restrictions	1,600,705
With donor restrictions	
Purpose restrictions	<u>1,934,441</u>
 TOTAL NET ASSETS	 <u>3,535,146</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,547,772</u>

See accompanying notes to financial statements.

RESPECTABILITY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants & contributions	\$ 2,473,515	\$ 1,345,380	\$ 3,818,895
In-Kind contributions	100,000	-	100,000
Interest income	2,939	-	2,939
Miscellaneous revenue	2,257	-	2,257
	<u>2,578,711</u>	<u>1,345,380</u>	<u>3,924,091</u>
Net assets released from:			
Satisfaction of program restrictions	736,218	(736,218)	-
	<u>3,314,929</u>	<u>609,162</u>	<u>3,924,091</u>
EXPENSES			
Program Services			
Policy & Practices	289,280	-	289,280
Program Development Advocacy	269,049	-	269,049
Jewish Inclusion	109,233	-	109,233
National Leadership/Fellows	333,705	-	333,705
Community Outreach Partnerships (COP)	213,103	-	213,103
Total program expenses	<u>1,214,370</u>	<u>-</u>	<u>1,214,370</u>
Support Services			
Management	219,548	-	219,548
Fundraising	181,168	-	181,168
Total support services	<u>400,716</u>	<u>-</u>	<u>400,716</u>
Total expenses	<u>1,615,086</u>	<u>-</u>	<u>1,615,086</u>
CHANGE IN NET ASSETS	1,699,843	609,162	2,309,005
Beginning net assets	<u>(99,138)</u>	<u>1,325,279</u>	<u>1,226,141</u>
Ending net assets	<u>\$ 1,600,705</u>	<u>\$ 1,934,441</u>	<u>\$ 3,535,146</u>

See accompanying notes to financial statements.

RESPECTABILITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Policy & Practices	Program Development Advocacy	Jewish Inclusion	National Leadership/ Fellows	Community Outreach Program (COP)	Total Program	Management	Fundraising	Total Expenses
Salaries, payroll taxes & benefits	\$ 174,105	\$ 188,922	\$ 57,186	\$ 177,995	\$ 4,723	\$ 602,931	\$ 91,100	\$ 72,639	\$ 766,670
Fees for Services									
Legal	-	-	-	-	-	-	427	-	427
Accounting	-	-	-	-	-	-	16,200	-	16,200
Fellows	-	-	-	29,100	-	29,100	-	-	29,100
Charitable registrations	-	-	375	-	-	375	8,022	-	8,397
Outside contract services	8,183	5,273	29,302	22,217	48,695	113,670	24,164	65,894	203,728
Professional fees	8,500	-	-	-	-	8,500	-	-	8,500
Service fees	14,057	-	-	-	14,955	29,012	4,314	1,825	35,151
Advertising/promotion/media comm.	60	4,615	-	852	1,050	6,577	120	-	6,697
Postage, printing & copying	955	1,128	-	-	4,002	6,085	10,772	6,662	23,519
Info. technology/websites/webinars	1,299	31,847	30	389	390	33,955	12,928	-	46,883
Occupancy	23,360	21,518	8,698	27,645	25,782	107,003	26,790	14,225	148,018
Telephone/teleconferences	1,910	1,760	711	2,207	1,529	8,117	3,069	1,163	12,349
Travel/lodging/meals	27,835	5,254	3,384	62,036	98,407	196,916	4,418	9,470	210,804
Conferences/conventions/meetings	22,490	2,407	2,930	3,650	8,500	39,977	2,412	7,044	49,433
Insurance - general	1,388	1,278	517	1,603	1,110	5,896	2,229	845	8,970
Depreciation	368	339	137	426	295	1,565	573	224	2,362
Other	4,770	4,708	5,963	5,585	3,665	24,691	12,010	1,177	37,878
Total expenses	\$ 289,280	\$ 269,049	\$ 109,233	\$ 333,705	\$ 213,103	\$ 1,214,370	\$ 219,548	\$ 181,168	\$ 1,615,086

See accompanying notes to financial statements.

RESPECTABILITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

Cash flows from operating activities:	
Change in net assets	\$ 2,309,005
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	2,362
(Increase) decrease in assets	
Receivables	(2,166,107)
Prepaid expenses	(991)
Fixed assets	(2,582)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	7,368
Net cash provided (used) by operating activities	<u>149,055</u>
Net increase (decrease) in cash and cash equivalents	149,055
Cash and cash equivalents - January 1, 2019	<u>901,750</u>
Cash and cash equivalents - December 31, 2019	<u><u>\$ 1,050,805</u></u>

See accompanying notes to financial statements.

RESPECTABILITY

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2019

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.

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 & equipment with a useful life of more than one year and a unit acquisition cost of \$1,500 or more will be capitalized and depreciated over its useful life. The items will be recorded at cost. Depreciation is determined by the straight-line method based on an estimated useful life of five years.

Functional expenses – The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited.

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 7 for a description of financial instruments carried at fair value.

RESPECTABILITY

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - PLEDGES RECEIVABLES (INCLUDED IN RECEIVABLES)

Pledges receivable as of December 31, 2019 are shown below at the present value of the estimated future cash flows using Treasury bill rates for similar term investments. As permitted by FASB ASC 958, the organization recognizes pledges expected to be collected within one year at net realizable value without discounting them to present value.

The applicable rate at December 31, 2019 was 1.62%.

Receivables expected to be collected within two years	\$ 542,500
Receivables expected to be collected in three to five years	<u>845,000</u>
	\$1,387,500
Less: Discount to net present value	<u>(45,180)</u>
Net pledges receivable to be collected within two to five years	\$1,342,320

NOTE 4 - 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, 2019 the organization's cash balance in excess of FDIC insurance totaled \$550,805.

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

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

Fellows	\$665,697
Jewish Inclusion	537,892
WIOA (Policy and Practices)	<u>730,852</u>
Total	\$1,934,441

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	\$310,705
Community Outreach Project (COP)	60,000
Jewish Inclusion	99,233
WIOA (Policy and Practices)	<u>266,280</u>
Total	\$736,218

RESPECTABILITY

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2019

NOTE 6 – 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, 2019 contained in the leases is as follows: For the fiscal year ending December 31, 2020 \$ 130,992

Total rent expense for the year ended December 31, 2019 was \$148,018.

NOTE 7 – 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, 2019 the Organization did not have any assets and liabilities that are measured at fair value on a recurring basis.

NOTE 8 – 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, 2019, 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

RESPECTABILITY

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

DECEMBER 31, 2019

NOTE 8 – INCOME TAXES (CONTINUED)

“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, 2019, 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, 2019, the statute of limitations for tax years 2016 through 2018 remains open with Federal and Maryland authorities.

NOTE 9 - 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, 2019. The income and related expense of these donated services are recognized on these financial statements respectively under in-kind contributions and salaries

NOTE 10 - 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	\$2,160,671
Less those unavailable for general expenditures within one year due to:	
Restriction by donor for purpose	<u>(1,713,341)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 477,330</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Excess cash is generally held in savings or money market accounts until it is required for operational use.

NOTE 11 – SUBSEQUENT EVENTS

The organization’s management has evaluated subsequent events through April 29, 2020 the date the financial statements were available to be issued. There were no subsequent events identified through April 29, 2020 which were required to be disclosed in these financial statements.

The COVID-19 outbreak in the United States has caused disruption through mandated and voluntary closings of businesses and organizations. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our funders, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent of which COVID-19 may impact our financial condition or results of operations is uncertain.