



## FINANCIAL REPORT

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### RESPECTABILITY

YEARS ENDED DECEMBER 31, 2021 AND 2020

**RESPECTABILITY**  
**FINANCIAL REPORT**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS</b>	1 - 2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 17



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
RespectAbility  
Rockville, Maryland

### Opinion

We have audited the accompanying financial statements of RespectAbility (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RespectAbility as of December 31, 2021, 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.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of RespectAbility and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Adjustments to Prior Period Financial Statements

The financial statements of RespectAbility as of December 31, 2020, were audited by other auditors whose report dated April 9, 2021, expressed an unmodified opinion on those financial statements. As discussed in Note 13 to the financial statements, the 2020 financial statements have been restated. The other auditors reported on the financial statements before restatement.

As part of our audit of the 2021 financial statements, we also audited adjustments described in Note 13 that were applied to restate the 2020 financial statements and 2020 opening net asset balances. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to RespectAbility's 2020 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements as a whole.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RespectAbility's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 RespectAbility's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about RespectAbility's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Thompson Greenspon*

Fairfax, Virginia  
May 16, 2022

## RESPECTABILITY

### STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2021 AND 2020

	2021	(As restated) 2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,972,842	\$ 1,606,001
Grants and contributions receivable, net	1,366,774	1,844,926
Property and equipment, net	19,449	6,050
Deposits	9,819	9,819
<b>Total Assets</b>	<b>\$ 5,368,884</b>	<b>\$ 3,466,796</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 29,297	\$ 20,604
Deferred revenue - conditional grants	150,000	-
Deferred revenue - contract revenue	100,000	20,677
Total Liabilities	279,297	41,281
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	1,461,192	786,406
Board-designated	336,988	100,000
	1,798,180	886,406
With donor restrictions	3,291,407	2,539,109
Total Net Assets	5,089,587	3,425,515
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,368,884</b>	<b>\$ 3,466,796</b>

The Notes to Financial Statements are an integral part of these statements.

## RESPECTABILITY

### STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			(As restated) 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>						
Grants and contributions	\$ 812,103	\$ 2,450,067	\$ 3,262,170	\$ 903,674	\$ 516,675	\$ 1,420,349
Contract revenue	352,386	-	352,386	86,673	-	86,673
Speaker fee income	44,993	-	44,993	-	-	-
Interest income	3,429	-	3,429	2,858	-	2,858
Miscellaneous revenue	5,940	-	5,940	8,400	-	8,400
Net assets released from restrictions	1,697,769	(1,697,769)	-	1,312,007	(1,312,007)	-
<b>Total Revenue and Support</b>	<b>2,916,620</b>	<b>752,298</b>	<b>3,668,918</b>	<b>2,313,612</b>	<b>(795,332)</b>	<b>1,518,280</b>
<b>Expenses</b>						
Programs						
Policy and Practices	188,345	-	188,345	267,079	-	267,079
Entertainment and News Media	409,327	-	409,327	341,310	-	341,310
Faith Inclusion	123,221	-	123,221	234,403	-	234,403
Leadership (Fellows)	296,511	-	296,511	216,267	-	216,267
Community Outreach Program	65,776	-	65,776	147,697	-	147,697
	1,083,180	-	1,083,180	1,206,756	-	1,206,756
Management and general	644,552	-	644,552	252,451	-	252,451
Fundraising	276,062	-	276,062	168,704	-	168,704
<b>Total Expenses</b>	<b>2,003,794</b>	<b>-</b>	<b>2,003,794</b>	<b>1,627,911</b>	<b>-</b>	<b>1,627,911</b>
<b>Other Income (Loss)</b>						
Loss on disposal of property and equipment	(1,052)	-	(1,052)	-	-	-
<b>Change in Net Assets</b>	<b>911,774</b>	<b>752,298</b>	<b>1,664,072</b>	<b>685,701</b>	<b>(795,332)</b>	<b>(109,631)</b>
<b>Net Assets, beginning of year</b>	<b>886,406</b>	<b>2,539,109</b>	<b>3,425,515</b>	<b>1,600,705</b>	<b>1,934,441</b>	<b>3,535,146</b>
<b>Prior Period Adjustment (Note 12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,400,000)</b>	<b>1,400,000</b>	<b>-</b>
<b>Net Assets, end of year</b>	<b>\$ 1,798,180</b>	<b>\$ 3,291,407</b>	<b>\$ 5,089,587</b>	<b>\$ 886,406</b>	<b>\$ 2,539,109</b>	<b>\$ 3,425,515</b>

The Notes to Financial Statements are an integral part of these statements.

## RESPECTABILITY

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2021

	Programs					Total Programs	Management and General	Fundraising	Total Expenses
	Policy and Practices	Entertainment and News Media	Faith Inclusion	Leadership (Fellows)	Community Outreach Program				
Salaries, payroll taxes and benefits	\$ 174,554	\$ 280,570	\$ 82,459	\$ 242,557	\$ 45,964	\$ 826,104	\$ 364,398	\$ 203,133	\$ 1,393,635
Fees for services									
Accounting	-	-	-	-	-	-	18,250	-	18,250
Fellows	-	-	1,480	20,400	-	21,880	2,500	-	24,380
Charitable registrations	-	-	-	-	-	-	3,180	-	3,180
Outside contract services	524	75,399	20,275	15,784	3,950	115,932	104,906	57,074	277,912
Professional fees	88	7,918	1,800	100	10,328	20,234	16,589	-	36,823
Advertising, promotion, and media communications	-	12,411	1,000	3,016	-	16,427	10,065	-	26,492
Office expenses	241	472	2,535	137	-	3,385	11,698	440	15,523
Postage, printing and copying	-	-	-	-	-	-	3,328	1,907	5,235
Information technology, websites and webinars	1,032	727	-	-	250	2,009	4,576	-	6,585
Occupancy	2,067	3,322	976	2,872	544	9,781	4,314	2,405	16,500
Telephone/teleconferences	2,549	4,097	1,204	3,542	671	12,063	5,323	2,966	20,352
Travel, lodging and meals	1,066	7,398	2,850	-	1,732	13,046	67,682	19	80,747
Conferences, conventions and meetings	-	-	-	406	1,129	1,535	1,300	180	3,015
Insurance - general	3,447	5,540	1,628	4,789	908	16,312	7,195	4,011	27,518
Depreciation	762	1,225	360	1,059	201	3,607	1,590	887	6,084
Dues and subscriptions	1,647	9,656	6,480	99	-	17,882	4,948	2,612	25,442
Other	368	592	174	1,750	99	2,983	12,710	428	16,121
	<u>\$ 188,345</u>	<u>\$ 409,327</u>	<u>\$ 123,221</u>	<u>\$ 296,511</u>	<u>\$ 65,776</u>	<u>\$ 1,083,180</u>	<u>\$ 644,552</u>	<u>\$ 276,062</u>	<u>\$ 2,003,794</u>

The Notes to Financial Statements are an integral part of this statement.

## RESPECTABILITY

### STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED DECEMBER 31, 2020 (AS RESTATED)

	Programs					Total Programs	Management and General	Fundraising	Total Expenses
	Policy and Practices	Entertainment and News Media	Faith Inclusion	Leadership (Fellows)	Community Outreach Program				
Salaries, payroll taxes and benefits	\$ 182,715	\$ 220,583	\$ 140,231	\$ 139,707	\$ 113,536	\$ 796,772	\$ 42,096	\$ 124,584	\$ 963,452
Fees for services									
Accounting	-	-	-	-	-	-	16,600	-	16,600
Fellows	830	480	1,000	16,795	1,325	20,430	25	-	20,455
Charitable registrations	-	-	-	-	-	-	4,631	-	4,631
Outside contract services	24,839	43,578	53,297	18,325	13,495	153,534	97,704	25,433	276,671
Professional fees	19,000	100	-	-	600	19,700	-	-	19,700
Advertising, promotion, and media communications	5,823	7,043	2,778	735	-	16,379	5,405	-	21,784
Office expenses	601	1,001	1,577	2,469	516	6,164	15,517	1,217	22,898
Postage, printing and copying	-	-	854	-	-	854	339	1,685	2,878
Information technology, websites and webinars	4,215	14,781	120	-	-	19,116	5,112	-	24,228
Occupancy	19,316	24,843	17,012	15,696	10,719	87,586	29,449	12,155	129,190
Telephone/teleconferences	2,072	2,665	1,825	1,684	1,150	9,396	3,161	1,304	13,861
Travel, lodging and meals	4,407	4,591	8,473	19,164	4,219	40,854	5,590	396	46,840
Conferences, conventions and meetings	200	5,743	-	200	408	6,551	3,957	340	10,848
Insurance - general	1,035	1,331	1,887	841	574	5,668	1,577	651	7,896
Depreciation	401	515	353	325	222	1,816	611	252	2,679
Dues and subscriptions	1,224	13,027	3,549	-	450	18,250	4,413	434	23,097
Other	401	1,029	1,447	326	483	3,686	16,264	253	20,203
	<u>\$ 267,079</u>	<u>\$ 341,310</u>	<u>\$ 234,403</u>	<u>\$ 216,267</u>	<u>\$ 147,697</u>	<u>\$ 1,206,756</u>	<u>\$ 252,451</u>	<u>\$ 168,704</u>	<u>\$ 1,627,911</u>

The Notes to Financial Statements are an integral part of this statement.



## RESPECTABILITY

### STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	(As restated) 2020
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 1,664,072	\$ (109,631)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in discount on grants and contributions	19,935	(43,700)
Depreciation	6,084	2,679
Loss on disposal of property and equipment	1,052	-
(Increase) Decrease in		
Grants and contributions receivable, net	458,217	650,960
Prepaid expenses	-	26,233
Increase (Decrease) in		
Accounts payable and accrued expenses	8,693	7,978
Deferred revenue - conditional grants	150,000	-
Deferred revenue - contract revenue	79,323	20,677
	<b>2,387,376</b>	<b>555,196</b>
<b>Cash Flows from Investing Activities</b>		
Payments for the purchase of property	(20,535)	-
	<b>(20,535)</b>	<b>-</b>
<b>Net Increase in Cash and Cash Equivalents</b>	2,366,841	555,196
<b>Cash and Cash Equivalents, beginning of year</b>	1,606,001	1,050,805
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 3,972,842</b>	<b>\$ 1,606,001</b>

The Notes to Financial Statements are an integral part of these statements.

# RESPECTABILITY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

### 1. ORGANIZATION

RespectAbility (the Organization) is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is a publicly supported organization under Section 509(a)(1) of the IRC 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. Led by a diverse group of people with disabilities since 2013, RespectAbility advocates for and with people with all types of disabilities for better access, inclusion, education and employment outcomes.

The following programs are included in the statements of activities and change in net assets:

*Policy and Practices* – Promote best practices in education, employment, entrepreneurship, civic engagement, and access.

*Entertainment and News Media* – Increase diverse and authentic representation of disabled people in media so people with disabilities are seen for what they can do, instead of what they cannot.

*Faith Inclusion* – Ensure the inclusion of people with disabilities in faith-based communities.

*Leadership (Fellows)* – Enable diverse people with disabilities to participate fully in decision-making.

*Community Outreach Program* – The Organization's National Employment Program consists of Communities of Practice for LA local stakeholders to work collaboratively on improving education and employment rates for people with disabilities. The Organization meets and partners with local leaders. Before entering a community, the Organization compiles compelling and credible data on the number of working-age people with disabilities, employment participation rates, high school graduation rates, and racial disparities among people with disabilities. The Organization identifies how many job training programs exist in the community and if any of them are placing and retaining people with disabilities in competitive employment. The Organization identifies the employers and educate them about the value to a company's bottom line of employing qualified, conscientious workers with disabilities. The Organization also addresses barriers to employment for qualified people with disabilities: accessibility, reasonable accommodations, mentoring, and transportation.

### 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 accordance with accounting principles generally accepted in the United States of America. Revenue is recognized when earned and expenses are recognized when incurred.

#### **Revenue Recognition**

The Organization recognizes all unconditional grants and contributions in the period in which the commitment to give is made. Grants and contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities and changes in net assets as net assets released from restrictions.

# RESPECTABILITY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Revenue Recognition (continued)

Revenue recognized on grants and contributions that have been committed to the Organization, but have not been received, are reflected as part of grants and contribution receivable in the accompanying statements of financial position. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at their present value using appropriate discount rates. Amortization of the discount is recorded as additional contribution revenue and is used in accordance with donor-imposed restrictions, if any, on the contributions.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Any amounts received in advance of meeting conditions are included in deferred revenue – conditional grants on the statements of financial position.

The Organization recognizes revenue from exchange transactions in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. ASC Topic 606 provides a five-step model for recognizing revenue:

1. Identify the contract
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to performance obligations
5. Recognize revenue

The Organization recognizes contract revenue from professional services performed over time, throughout the contract period, as performance obligations are met. Speaker fees are recognized as revenue when the speaking engagement is held at a point in time. Cash received in advance of the performance obligations being met is recorded as deferred revenue – contract revenue. All payments are received in advance of provision of services.

Interest and miscellaneous income are recognized in the period earned.

#### Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

#### Grants and Contributions Receivable

Grants and contributions receivable that are expected to be collected within one year are stated at their estimated net realizable value. Grants and contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. Grants and contributions receivable that are past due are individually analyzed for collectability. The Organization considers grants and contributions receivable to be fully collectible and, accordingly, no allowance for uncollectible grants and contributions has been recorded for the years ended December 31, 2021 and 2020.

# RESPECTABILITY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Property and Equipment**

Property and equipment in excess of \$1,500 are capitalized and stated at cost and depreciated over the estimated useful lives of the assets using the straight-line method. Depreciation and amortization are provided over the estimated useful lives of the related assets, generally three to five years. Repairs and maintenance costs are expensed as incurred.

#### **Paycheck Protection Program Loans**

In 2021 and 2020, the Organization received \$186,940 and \$150,797, respectively, under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP). The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Organization must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period. The Organization has accounted for the PPP funding under Financial Accounting Standards Board (FASB) ASC Topic 958-606 as a conditional contribution in the financial statements. As of December 31, 2021 and 2020, the Organization's management believes the Organization has met the substantial requirements for full forgiveness of the loan and as such, has recorded contributions revenue totaling \$186,940 and \$150,797 during the years ended December 31, 2021 and 2020, respectively. The 2021 and 2020 PPP loans were forgiven on October 27, 2021 and February 9, 2021, respectively.

#### **Net Assets**

Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization, management and the Board of Directors. Board-designated operating reserve funds are classified as net assets without donor restrictions.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities and changes in net assets.

#### **Measure of Operations**

In its statements of activities and changes in net assets, the Organization includes in its definition of operations all revenue and expenses that are an integral part of its programs and supporting activities and excludes losses on disposal of property and equipment.

# RESPECTABILITY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Concentration of Credit Risk

Financial instruments which potentially subject the Organization to a concentration of credit risk, include cash deposits with a financial institution. The Organization's cash management policies limit its exposure to a concentration of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may exceed the FDIC insurable limit of \$250,000 at times throughout the year until an appropriate transfer of funds can be made to another commercial bank. The Organization has not experienced any losses from such accounts and management does not consider this to be a significant risk.

#### Tax Exempt Status

The Organization is exempt from Federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the IRC and is classified by the Internal Revenue Service as other than a private foundation. For the years ended December 31, 2021 and 2020, there was no provision for income taxes required since the Organization had no taxable income from unrelated business activities.

#### Accounting for Uncertain Tax Positions

The Organization complies with the provisions of FASB ASC Topic 740, *Accounting for Uncertainty in Income Taxes*, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. For the years ended December 31, 2021 and 2020, no unrecognized tax provision or benefit exists in the accompanying financial statements.

#### Financial Statement Estimates

The preparation of financial statements in conformity with 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 revenue and expenses during the reporting period. Actual results could vary from the estimates that were used.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and statements of functional expenses. Accordingly, certain expenses have been allocated proportionately among the programs and supporting services to which they relate.

Expenses within the following categories that are not directly allocated are allocated based on the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries, payroll taxes and benefits	Time and effort
Occupancy	Time and effort
Telephone/teleconferences	Time and effort
Insurance - general	Time and effort
Depreciation	Time and effort
Other	Time and effort

# RESPECTABILITY

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **New Accounting Pronouncements**

##### ASU 2016-02

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842). The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases* (FAS 13). ASU 2016-02 requires an entity to recognize assets and liabilities on the balance sheet for the rights and obligations created by leased assets and provide additional disclosures. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

##### **COVID-19**

On March 11, 2020, the World Health Organization recognized COVID-19 as a global pandemic, prompting many national, regional, and local governments to implement preventative or protective measures, such as travel and business restrictions, temporary store closures, and wide-sweeping quarantines and stay-at-home orders. As a result, COVID-19 and the related restrictive measures have had a significant adverse impact upon many sectors of the economy, including the industries in which the Organization operates. In December 2020, the U.S. Food and Drug Administration approved the distribution of COVID-19 vaccines that, once widely adopted and utilized, may materially reduce the impact of COVID-19 going forward, although the impact of the virus including certain new strains remains uncertain. The impact, scope and duration of any new strains of the virus, and the ability to successfully distribute the vaccines, remain largely unknown. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, including the duration and spread of the outbreak within the markets in which the Organization operates and the related impact on consumer confidence and spending, all of which are highly uncertain.

##### **Reclassifications**

Certain items in the 2020 financial statements have been reclassified to conform to the 2021 financial statement presentation. The reclassifications had no impact on previously reported net assets.

##### **Subsequent Events**

The date to which events occurring after December 31, 2021, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is May 16, 2022, which is the date on which the financial statements were available to be issued.

### 3. LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents and grants and contributions receivable. The Organization also maintains a Board-designated operating reserve as another source of liquidity.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

## RESPECTABILITY

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

#### 3. LIQUIDITY AND AVAILABILITY (continued)

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The financial assets and liquidity resources available within one year of the statement of financial position date for general expenditure were as follows at December 31:

		(As restated)
	2021	2020
Cash and cash equivalents	\$ 3,972,842	\$ 1,606,001
Grants and contributions receivable, net	1,366,774	1,844,926
Financial assets, at year end	<u>5,339,616</u>	<u>3,450,927</u>
Less amounts not available to be used within one year		
Net assets with donor restrictions	3,291,407	2,539,109
Board-designated operating reserve	336,988	100,000
Less net assets with restrictions to be met in less than one year	<u>(1,613,992)</u>	<u>(1,697,769)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,325,213</u>	<u>\$ 2,509,587</u>

#### 4. GRANTS AND CONTRIBUTIONS RECEIVABLE

The Organization's grants and contributions receivable were due to be received as follows as of December 31:

		(As restated)
	2021	2020
Due in less than one year	\$ 669,792	\$ 1,001,406
Due in one to five years	718,397	845,000
Total grants and contributions receivable	1,388,189	1,846,406
Less: discount to net present value	<u>(21,415)</u>	<u>(1,480)</u>
Grants and contributions receivable, net	<u>\$ 1,366,774</u>	<u>\$ 1,844,926</u>

The Organization uses the risk-free rate adjusted for the Organization's risk-adjustment in determining present value of multiyear pledges. The risk-free rate is the year end treasury bill rates for similar term investments and ranged from 0.77 percent to 1.62 percent depending on the length of the multi-year pledge and date received. All amounts are deemed to be fully collectible. Accordingly, no allowance for uncollectible receivables has been provided.

## RESPECTABILITY

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

#### 5. PROPERTY AND EQUIPMENT

The Organization's property and equipment consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 28,768	\$ 13,749
Less: accumulated depreciation	(9,319)	(7,699)
Property and equipment, net	<u>\$ 19,449</u>	<u>\$ 6,050</u>

During the year ended December 31, 2021, the Organization disposed of property and equipment with a cost of \$5,516 and accumulated depreciation of \$4,464, resulting in a loss on disposal of property and equipment of \$1,052. Depreciation expense totaled \$6,084 and \$2,679 for the years ended December 31, 2021 and 2020, respectively.

#### 6. CONDITIONAL GRANTS

The Organization has been awarded several conditional grants. These grants are contingent upon the Organization's achievement of certain goals and deliverables mutually agreed to between the Organization and the donors. The table below shows the change in conditional grants during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Beginning conditional grant balance	\$ -	\$ -
New conditional grants	356,940	150,797
Conditions satisfied	(186,940)	(150,797)
Ending conditional grant balance	<u>\$ 170,000</u>	<u>\$ -</u>

As of December 31, the conditional grants and related conditions are as follows:

	<u>2021</u>	<u>2020</u>
Conditions		
Specific output	\$ 150,000	\$ -
Specific costs	20,000	-
Ending conditional grant balance	<u>\$ 170,000</u>	<u>\$ -</u>

As of December 31, 2021, funds received from the donors in advance of conditions being met totaled \$150,000. These amounts are recorded as deferred revenue – conditional grants on the statement of financial position and will subsequently be recognized as grant revenue when conditions are met.



## RESPECTABILITY

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

#### 7. REVENUE FROM CONTRACTS WITH CUSTOMERS

The following table provides information about significant changes in deferred revenue, from exchange transactions, for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Deferred contract revenue, beginning of year	\$ 20,677	\$ -
Revenue recognized that was included in deferred revenue at the beginning of the year	(20,677)	-
Increase in deferred revenue due to cash received during the year	<u>100,000</u>	<u>20,677</u>
Deferred contract revenue, end of year	<u><u>\$ 100,000</u></u>	<u><u>\$ 20,677</u></u>

#### 8. BOARD-DESIGNATED OPERATING RESERVE

The Organization's operating reserve consists of funds internally designated by the Board of Directors and management. As required by U.S. generally accepted accounting principles (GAAP), funds designated by the Board of Directors and management are classified and reported based on the existence or absence of donor-imposed restrictions. The operating reserve is designed to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization. The operating reserve is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured losses. The operating reserve may also be used for one-time, nonrecurring expenses that will build long-term capacity, such as staff development, research and development, or investment in infrastructure. Since 2020 and each following year until changed by the Board of Directors of the Organization, the goal is to place at least \$100,000 by December 31 each year into the operating reserve.

The operating reserve funds had the following activities for the years ended December 31:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 100,000	\$ -
Contributions	236,988	100,000
Appropriations	-	-
Balance, end of year	<u><u>\$ 336,988</u></u>	<u><u>\$ 100,000</u></u>

## RESPECTABILITY

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

#### 9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were composed of the following as of December 31:

	2021	(As restated) 2020
Purpose Restricted		
Leadership (Fellows) program	\$ 741,659	\$ 484,103
Faith Inclusion program	324,923	303,134
Policy and Practices program	176,027	264,372
Community Outreach program	75,000	-
Technology upgrades	5,465	-
Entertainment and News Media program	-	125,000
Time-Restricted		
For use in future periods	1,968,333	1,362,500
Total Net Assets with Donor Restrictions	<u>\$ 3,291,407</u>	<u>\$ 2,539,109</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time for the years ended December 31:

	2021	(As restated) 2020
Purpose Restricted		
Leadership (Fellows) program	\$ 296,511	\$ 210,769
Faith Inclusion program	123,211	234,758
Policy and Practices program	188,345	266,480
Community Outreach program	-	-
Technology upgrades	20,535	-
Entertainment and News Media program	395,000	262,500
Time-Restricted		
For use in future periods	674,167	337,500
Total Net Assets with Donor Restrictions	<u>\$ 1,697,769</u>	<u>\$ 1,312,007</u>

#### 10. RETIREMENT PLAN

Effective for 2020, the Organization approved a matching program of employee retirement contributions up to \$1,000 per full-time employee (30 hours or more per week). In 2021, the Organization increased the matching benefit to \$2,000 per full-time employee. The Organization's contributions and matching amounts are vested after three years of employment. The retirement expense for the years ended December 31, 2021 and 2020 was \$27,058 and \$9,229, respectively, which is comprised of employer contributions.

#### 11. CONCENTRATION RISK

For the years ended December 31, 2021 and 2020, one donor contributed more than 10 percent of total revenue each year. Donations from these donors accounted for 27 percent and 13 percent of the Organization's total revenue for the years ended December 31, 2021 and 2020, respectively.

## RESPECTABILITY

### NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2021 AND 2020

#### 11. **CONCENTRATION RISK** (continued)

For the years ended December 31, 2021 and 2020, three donor receivable balances accounted for more than 10 percent of the total balance. Receivables from these donors accounted for 77 and 73 percent of the Organization's total receivable balance at December 31, 2021 and 2020, respectively.

#### 12. **LEASES**

In September 2015, RespectAbility entered into a five-year lease for office space in Rockville, Maryland that expired in December 2020. In September of 2020, the landlord of the leased premise permitted RespectAbility to store their personal property in the premises, after the expiration date of the lease at no additional costs. The in-kind rent for storage was not considered material for the years ended December 31, 2021 or 2020. RespectAbility is operating remotely and has not signed a new lease for office space in Maryland after the expiration of the lease. In October 2021, RespectAbility entered into a one-year lease for office space in California through September 2022. Monthly rent is \$1,597. Future minimum lease payments for the year ended December 31, 2022 are \$14,373.

#### 13. **PRIOR PERIOD ADJUSTMENTS**

Accounting errors were discovered, whereby 2019 time restricted revenue was incorrectly recognized as being without donor restrictions, and as a result the associated release for the time restricted contribution was omitted. As a result, the December 31, 2020 opening net asset balances were restated by increasing net assets with donor restrictions and decreasing net assets without donor restrictions by \$1,400,000. Additionally, the net assets released from restrictions for the year ended December 31, 2020 was also increased by \$337,500 to account for the releases of the grants incorrectly recognized.

In addition, accounting errors were discovered whereby a contribution was incorrectly recorded as a loan. The December 31, 2020 financial statements were also restated to correct this error, resulting in an increase to grants and contributions revenue for the year ended December 31, 2020 by \$10,000 and a decrease in notes payable as of December 31, 2020 by \$10,000.