

**MICHIGAN STATEWIDE INDEPENDENT LIVING CORP  
(A NON-PROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**SEPTEMBER 30, 2020**

DRAFT

**MICHIGAN STATEWIDE INDEPENDENT LIVING COUNCIL**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
**Michigan Statewide Independent Living Corp.**  
Lansing, Michigan

We have audited the accompanying financial statements of Michigan Statewide Independent Living Corp., (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020, 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' 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 Michigan Statewide Independent Living Corp. as of September 30, 2020, 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.

*THE ALG Group CPAs*

ALG Group, CPAs  
East Lansing, Michigan  
January 14, 2020

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# MICHIGAN STATEWIDE INDEPENDENT LIVING CORP

## STATEMENT OF FINANCIAL POSITION

As of September 30, 2020

### ASSETS

Current Assets		
Cash	\$	88,368
Accounts Receivable		16,661
Prepaid Insurance		1,853
Other Prepaid Expense		1,724
TOTAL ASSETS	\$	<u>108,606</u>

### LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$	1,041
Accrued Payroll Expense		22,409
Payable to Bureau for Services for Blind Persons		33,224
Total Current Liabilities		<u>56,674</u>
Net Assets		
Without Donor Restrictions		<u>51,932</u>
Total Equity		<u>51,932</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>108,606</u>

See independent auditors' report and notes to financial statements.

**MICHIGAN STATEWIDE INDEPENDENT LIVING CORP**

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

For The Year Ended September 30, 2020

Revenue and Support		
Grant Revenue	\$	268,326
Interest Income		<u>160</u>
Total Revenue and Support		<u>268,486</u>
Expenditures		
Program		210,404
Supporting Services		
Management and Administrative		<u>58,591</u>
Total Expenditures		<u>268,995</u>
Net Change in Net Assets		(509)
NET ASSETS - Beginning of Year		<u>52,441</u>
NET ASSETS - End of Year	\$	<u><u>51,932</u></u>

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# MICHIGAN STATEWIDE INDEPENDENT LIVING CORP

## STATEMENT OF FUNCTIONAL EXPENSE

For the Year Ended September 30, 2020

		Supporting Services	
	Program	General and Administrative	Total
Payroll Expense			
Salaries and Wages	\$ 109,865	\$ 36,622	\$ 146,487
Payroll Taxes	9,121	3,041	12,162
Employee Benefits	17,695	5,898	23,593
Retirement	1,144	382	1,526
Total Payroll Expense	137,825	45,943	183,768
Professional Fees	13,322	3,800	17,122
Rent Expense	7,592	2,531	10,123
Communications	5,537	1,846	7,383
Insurance	1,919	640	2,559
Office Expense	1,370	168	1,538
Statewide License	16,000		16,000
Travel and Meetings	22,969	3,663	26,632
SPIL Support	1,537		1,537
Miscellaneous	2,333		2,333
Total Expense	\$ 210,404	\$ 58,591	\$ 268,995

See independent auditors' report and notes to financial statements.

**MICHIGAN STATEWIDE INDEPENDENT LIVING CORP**

**STATEMENT OF CASH FLOWS**

For the Year Ended September 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets \$ (509)

Adjustments to Reconcile Change in Net Assets to Net Cash Provided By  
(Used) in Operating Activities:

(Increase) Decrease in Current Assets

Grants and Contracts Receivable (4,801)  
Refund/Credit Due from Vendor 39,700  
Prepaid Insurance (452)  
Other Prepaid Expense (1,724)

Increase (Decrease) in Current Liabilities

Accounts Payable (2,867)  
Accrued Payroll Expense 5,630  
Payable to Grantor (82,273)

Net Cash (Used In) Operating Activities (47,296)

Net Cash Decrease for Period (47,296)

CASH - at the Beginning of Year 135,664

CASH - at the End of Year \$ 88,368

See independent auditors' report and notes to financial statements.



# MICHIGAN STATEWIDE INDEPENDENT LIVING CORP

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 1 – NATURE OF ACTIVITIES

The Michigan Statewide Independent Living Corporation's (MSILC) main purpose is to provide administrative and fiduciary services to the Michigan Statewide Independent Living Council (the "Council"). The Council was established to promote a philosophy of independent living, including a philosophy of consumer control, peer support, self-help, self-determination, equal access, and individual and system advocacy, in order to maximize the leadership, empowerment, independence, and productivity of individuals with disabilities, and their integration and full inclusion into the mainstream of American society. The Council is supported primarily through government grants.

In addition, MSILC may also provide administrative and fiduciary services for other non-profit charitable organizations and may engage in other charitable activities related to the independent living needs of disabled persons.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized when earned and expenses as incurred. Accordingly, all significant receivables, payables, and other liabilities are reflected.

#### 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 grantor restrictions.

*Net Assets with Donor Restrictions* – Net assets subject to donor or 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 elapsed, or when the stipulated purpose has been met or both.

#### Cash and Cash Equivalents

The Corporation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

See Independent Auditors' Report

# MICHIGAN STATEWIDE INDEPENDENT LIVING CORP

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

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

#### Grants and Contracts Receivable

Grants and contracts receivable are comprised of amounts due within one year from governmental units and nonprofit organizations. The Council considers all grants and contracts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

#### Capitalization and Depreciation

Assets are stated at cost. The MSILC follows a practice of capitalizing all expenditures for furniture and equipment in excess of \$5,000. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. For the year ended September 30, 2020 no depreciation expense was recorded and no items meeting the criteria for capitalization were purchased.

All equipment purchased from grant funds with a cost of \$5,000 or more per unit must have prior approval of Michigan Rehabilitation Services (MRS) and/or the Bureau of Services to Blind Persons (BSBP). The Corporation retains title to equipment purchased with grant funds. Disposition of equipment items with an acquisition cost of \$5,000 or more must be in accord with federal and state policy. A plan for disposal of these items must have prior written approval of MRS and/or BSBP. Any equipment disposed of by reason of sale must be reported to MRS and/or BSBP.

#### Revenue and Revenue Recognition

Revenue from contracts and grants with the State of Michigan and other agencies are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at September 30, 2020, \$33,224 of this revenue has been classified as deferred until it is earned.

#### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

#### Income Taxes

Michigan Statewide Independent Living Corporation has been classified as an other than private foundation and is tax-exempt under Section 501(c) (3) of the Internal Revenue Code. The Code requires that tax-exempt organizations must comply with federal tax law to maintain tax-exempt status and avoid penalties.

MSILC evaluates all significant tax positions under a more likely than not threshold as required by U.S. generally accepted accounting principles. As of September 30, 2020, the Council does not believe that it has taken any tax positions that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. MSILC's tax returns are subject to examination by the appropriate taxing jurisdictions. At September 30, 2020, the MSILC's federal tax returns generally remain open for the last three years.

See Independent Auditors' Report

# MICHIGAN STATEWIDE INDEPENDENT LIVING CORP

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

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

#### Income taxes – (continued)....

MSILC's policy is to classify income tax related interest and penalties as interest expense and other expenses, respectively.

For the year ended September 30, 2020, the Council did not pay income tax.

#### Functional Reporting of Expenses

The costs of programs and supporting services 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 amount the programs and supporting activities.

#### Concentration of Credit Risk

For the year ended September 30, 2020, approximately 100% of revenue was received in the form of grants and contracts from the State of Michigan and other agencies. The loss of this support would create a situation where it would be difficult for MSILC to continue.

In addition, the Corporation places its cash with federally insured financial institutions. The Corporation's balances in the accounts may, at times, exceed \$250,000, up to which it is federally insured. Management has deemed this as a normal business risk. As of September 30, 2020, the Corporation had no deposits in excess of federally insured limits.

#### Advertising

Advertising costs are expensed as incurred. For the year ended September 30, 2020, \$0 was spent on advertising.

#### Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency. The reclassifications had no impact on previously reported net assets.

#### Subsequent Events

We have evaluated subsequent events through January xx, 2020, the date the financial statements were available to be issued.

### NOTE 3: - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

See Independent Auditors' Report

# MICHIGAN STATEWIDE INDEPENDENT LIVING CORP

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 3: - LIQUIDITY (Continued).....

Cash	\$ 88,368
Accounts receivable	16,661
Prepaid expenses	<u>3,576</u>
Total	\$ 108,065
Less: deferred revenue	<u>(33,224)</u>
Available funds	<u>\$ 75,281</u>

Available funds are transferred to the savings account to maximized potential earnings on funds. Deferred revenue represents amounts received in advance for specific purposes and is subtracted from funds that are available for general expenditures.

### NOTE 4: - CASH

Cash accounts are detailed as follows as of September 30, 2020:

	BOOK BALANCE	BANK BALANCE	NCUA INSURED
Checking	\$ 80,930	\$ 80,930	\$ 80,930
Savings	<u>7,438</u>	<u>7,438</u>	<u>7,438</u>
Total	<u>\$ 88,368</u>	<u>\$ 88,368</u>	<u>\$ 88,368</u>

### NOTE 5: - GRANTS AND CONTRACTS RECEIVABLE AND DEFERRED

Grants and contracts receivable consist of amounts due for contracts from the State of Michigan. Balances are detailed as follows as of September 30:

MRS Grant	<u>\$16,661</u>
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Deferred revenue from grants and contracts represents amounts received that has not yet been earned. In prior years, MSILC received an advance of \$75,000 from the Bureau of Services for Blind Persons when it was formed. Activity in the deferred revenue accounts during the year ended September 30, 2020 consists of:

Beginning Balance:	
Bureau of Services for Blind Persons	\$ 40,497
Initial Advance Bureau of Services for Blind	<u>75,000</u>
Total deferred September 30, 2019	\$115,497

Less: Repayment during year ended September 30, 2020	<u>(82,273)</u>
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Due to Bureau of Services for Blind Persons September 30, 2020	<u>\$ 33,224</u>
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See Independent Auditors' Report

# MICHIGAN STATEWIDE INDEPENDENT LIVING CORP

## NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

### NOTE 6 – OPERATING LEASES AND OTHER COMMITMENTS

MSILC leases space from another agency on a month-to-month basis, the lease began in April of 2019 and continued during the current fiscal year. The monthly rent under the terms of this lease is \$750. During the fiscal year MSILC paid \$9,100

The minimum future rental payments under non-cancelable operating leases and other obligations are:

2020 – 2021	9,340
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MSILC also leased storage space during the year ended September 30, 2020. The amount paid for this space was approx. \$723.

### NOTE 7 – RETIREMENT PLAN

The Corporation has a SIMPLE IRA retirement plan under section 408(a-p) of the Internal Revenue Code. All employees are eligible to participate. The Corporation matches up to 3% of gross wages. The Corporation had one participating employee during the fiscal year and made contributions of \$1,525 to the plan for the year ended September 30, 2020.

### NOTE 8 – REFUND/CREDIT DUE FROM VENDOR

During the year ended September 30, 2019, MSILC experienced some unauthorized use of its telephone number. As the result of this use, a large amount of international calls were placed and charged to the MSILC account. The account was investigated by the telephone provider and the telephone provider agreed to reimburse MSILC \$39,700 which was received during the fiscal year ending September 30, 2020.

### NOTE 9 – COMMITMENTS AND CONTINGENCIES

During the fiscal year ending September 30, 2019, MSILC became subject to legal actions arising from an alleged misappropriation of funds. Management has determined, based on communication with legal authorities, that MSILC's claims are uncollectible. The unfavorable amounts did not have a material adverse effect on the financial position or results of operations for the fiscal year ended September 30, 2019. For the September 30, 2020 fiscal year end, there was no further action on the matter and the prosecutor in Ingham County is not planning to try the case.

### NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

FASB Accounting Standards Codification ASU 2014-09 and amendments Topic 606, *Revenue from Contracts with Customers* and 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, as amended supersedes nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Topic 606 is required to be implemented for accounting periods beginning after December 15, 2018 and was in effect for Michigan Statewide Independent Living Corp for the fiscal year ended September 30, 2020. No changes were made in net assets in the implementation of this principle.

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