

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2019

MICHIGAN STATEWIDE INDEPENDENT LIVING COUNCIL

C O N T E N T S

INDEPENDENT AUDITORS' REPORT	1-2
STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENT OF FUNCTIONAL EXPENSES	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7-11



Corporate Headquarters
1451 East Lansing Dr., Ste 222 | East Lansing, MI 48823
Phone: (517) 714-4965 | Fax: (517) 351-2101

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, 2019, 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, 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.

A handwritten signature in black ink, appearing to be 'ALG', is written over the text of the signature block.

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

MICHIGAN STATEWIDE INDEPENDENT LIVING CORP
STATEMENT OF FINANCIAL POSITION
AS OF

ASSETS

		<u>September 30, 2019</u>
Current Assets		
Cash	\$	135,664
Accounts Receivable		11,860
Refund/Credit Due from Vendor		39,700
Prepaid Insurance		1,401
 TOTAL ASSETS	 \$	 <u><u>188,625</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts Payable	\$	3,908
Accrued Payroll Expense		16,779
Payable to Bureau for Services for Blind Persons		40,497
Total Current Liabilities		<u>61,184</u>
 Long-Term Liabilities		
Initial Advance from Bureau for Services for Blind		75,000
Total Long-Term Liabilities		<u>75,000</u>
 Total Liabilities		 <u>136,184</u>
 Net Assets		
Without Donor Restrictions		52,441
Total Equity		<u>52,441</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>188,625</u></u>

See Independent Auditors' Report and Notes to Financial Statements

MICHIGAN STATEWIDE INDEPENDENT LIVING CORP
STATEMENT OF ACTIVITES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Total
Revenue and Support	
Grant Revenue	\$ 351,895
Interest Income	191
Total Revenue and Support	352,086
Expenditures	
Program	282,469
Supporting Services	
Management and Administrative	83,409
Total Expenditures	365,878
Net Change in Net Assets	(13,792)
NET ASSETS - Beginning of Year	66,233
NET ASSETS - End of Year	\$ 52,441

See Independent Accountants' Audit Report and Notes to Financial Statements

MICHIGAN STATEWIDE INDEPENDENT LIVING CORP
STATEMENT OF ACTIVITES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Program	Supporting Services General and Administrative	Total
Payroll Expense			
Salaries and Wages	\$ 120,181	\$ 39,259	\$ 159,440
Payroll Taxes	10,720	3,139	13,859
Employee Benefits	24,767	6,183	30,950
Retirement	2,431	1,147	3,578
Total Payroll Expense	<u>158,099</u>	<u>49,728</u>	<u>207,827</u>
Professional Fees	37,597	10,500	48,097
Rent Expense	10,254	815	11,069
Communications	10,005	1,679	11,684
Insurance	3,189		3,189
Office Expense	2,895	1,116	4,011
Statewide License	16,000		16,000
Travel and Meetings	33,581	16,693	50,274
SPIL Support	8,613		8,613
Miscellaneous	2,236	2,878	5,114
Total Expense	<u>\$ 282,469</u>	<u>\$ 83,409</u>	<u>\$ 365,878</u>

See Independent Accountants' Audit Report and Notes to Financial Statements

MICHIGAN STATEWIDE INDEPENDENT LIVING CORP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$	(13,791)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) in Operating Activities:		
(Increase) Decrease in Current Assets		
Grants and Contracts Receivable		38,799
Refund/Credit Due from Vendor		(39,700)
Prepaid Insurance		(1,144)
Increase (Decrease) in Current Liabilities		
Accounts Payable		1,889
Accrued Payroll Expense		(16,696)
Payable to Grantor		7,905
Net Cash (Used In) Operating Activities		(22,738)
INVESTING ACTIVITIES		
Deposits		656
Net cash provided by investing activities		656
Net Cash Decrease for Period		(22,082)
CASH - at the Beginning of Year		157,746
CASH - at the End of Year	\$	135,664

See Independent Accountants' Audit Report and Notes to the Financial Statements

MICHIGAN STATEWIDE INDEPENDENT LIVING CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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 CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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, 2019 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, 2019, \$40,497 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, 2019, 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, 2019, the MSILC's federal tax returns generally remain open for the last three years.

See Independent Auditors' Report

MICHIGAN STATEWIDE INDEPENDENT LIVING CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

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, 2019 and 2018, 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, 2019, 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 is federally insured. Management has deemed this as a normal business risk. As of September 30, 2019, the Corporation had no deposits in excess of federally insured limits.

Advertising

Advertising costs are expensed as incurred. For the year ended September 30, 2019, \$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 February 14, 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 CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 For the Year Ended September 30, 2019

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

Cash	\$ 135,664
Accounts receivable	11,860
Due from Vendor	39,700
Prepaid expense	<u>1,401</u>
Total	\$ 188,625
Less: deferred revenue	<u>(40,497)</u>
Available funds	<u>\$ 148,128</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, 2019:

	BOOK <u>BALANCE</u>	BANK <u>BALANCE</u>	FDIC <u>INSURED</u>
Checking	\$128,235	\$128,104	\$128,104
Savings	<u>7,429</u>	<u>7,429</u>	<u>7,429</u>
Total	<u>\$135,664</u>	<u>\$135,533</u>	<u>\$135,533</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>\$11,860</u>
-----------	-----------------

Deferred revenue from grants and contracts represents amounts received that has not yet been earned. The balances in deferred revenue as of September 30, 2019 consists of:

Bureau of Services for Blind Persons	<u>\$40,497</u>
--------------------------------------	-----------------

In addition, MSILC received an advance of \$75,000 from the Bureau of Services for Blind Persons when it was formed. The MSILC does not pay interest on the advance and there is no stated repayment plan in place. The amount is classified as a long-term liability.

See Independent Auditors' Report

MICHIGAN STATEWIDE INDEPENDENT LIVING CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2019

NOTE 6 – OPERATING LEASES AND OTHER COMMITMENTS

On January 7, 2016, the Corporation entered into a new 36-month occupancy lease with monthly rent payments of \$656. The lease continued until March of 2019. Subsequent to that date, MSILC began leasing space from another agency, the monthly rent under the terms of this lease is \$750. During the fiscal year MSILC paid \$9,489

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

2019 – 2020	9,000
-------------	-------

MSILC also leased storage space during the year ended September 30, 2019. The amount paid for this space was \$1,580.

NOTE 7 – 401(k) RETIREMENT PLAN

The Corporation has a retirement plan under section 401(k) of the Internal Revenue Code. All employees are eligible to participate. The Corporation matches up to 3% of gross wages. The Corporation made contributions of \$3,578 to the plan for the year ended September 30, 2019.

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 subsequent to year end. Accordingly, a receivable for the amount was recorded on the balance sheet.

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 do not have a material adverse effect on the financial position or results of operations for the fiscal year ended September 30, 2019.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. No changes in net assets were made due to the application of the ASU.

See Independent Auditors' Report