

# Equip for Equality, Inc.

Single Audit  
September 30, 2019

**Sassetti**



CERTIFIED PUBLIC ACCOUNTANTS

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Board of Directors  
Equip for Equality, Inc.  
Chicago, Illinois

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Equip for Equality, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 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**

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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Equip for Equality, Inc. 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.

## Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 4, 2020, on our consideration of Equip for Equality, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Equip for Equality, Inc.'s internal control over financial reporting and compliance.

*Sassetti LLC*

Oak Park, Illinois  
March 4, 2020

EQUIP FOR EQUALITY, INC.  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2019

<b>ASSETS</b>	
Cash and cash equivalents	\$ 1,982,784
Receivables:	
Federal and state grants	339,891
Private grants	302,628
Prepaid expenses	200,530
Security deposits	52,605
Property and equipment, net	<u>96,879</u>
Total Assets	<u><u>\$ 2,975,317</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 70,133
Accrued salaries, wages and other compensation	197,712
Bank line of credit	120,000
Notes payable	8,730
Deferred revenue	19,359
Deferred rent	<u>105,887</u>
Total Liabilities	<u>521,821</u>
<b>NET ASSETS</b>	
Without Donor Restrictions	
General operating	2,065,686
Net investment in property and equipment	<u>96,879</u>
Total Unrestricted Net Assets	2,162,565
With Donor Restrictions	<u>290,931</u>
Total Net Assets	<u>2,453,496</u>
Total Liabilities and Net Assets	<u><u>\$ 2,975,317</u></u>

The accompanying notes are an integral part of these financial statements.

EQUIP FOR EQUALITY, INC.  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restriction	Total
<b>REVENUES AND OTHER SUPPORT</b>			
Government Funds and Support:			
Federal grants	\$ 4,123,453	\$ -	\$ 4,123,453
State grants	554,242	-	554,242
Local contracts	300,000	-	300,000
Private Funds and Support:			
Private foundation grants	325,650	319,395	645,045
Corporations and law firms	107,320	-	107,320
Individual contributions	71,027	-	71,027
Donated services	97,862	-	97,862
Earned and Program Income:			
Program income	1,070,412	-	1,070,412
Earned income - unrestricted	1,020,485	-	1,020,485
Interest	22,514	-	22,514
Net assets released from restrictions	277,842	(277,842)	-
Total Revenues and Other Support	7,970,807	41,553	8,012,360
<b>EXPENSES</b>			
Program services	5,784,543	-	5,784,543
Administrative and general	1,525,415	-	1,525,415
Fundraising	77,297	-	77,297
Total Expenses	7,387,255	-	7,387,255
<b>CHANGE IN NET ASSETS</b>	583,552	41,553	625,105
<b>NET ASSETS</b>			
Beginning of year	1,579,013	249,378	1,828,391
End of year	\$ 2,162,565	\$ 290,931	\$ 2,453,496

The accompanying notes are an integral part of these financial statements.

EQUIP FOR EQUALITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

Program Services

	DD P&A	MI P&A	PAIR	AT P&A	TBI P&A	PABSS	PABSS REP P&A
Salaries	\$ 701,931	\$ 498,418	\$ 477,559	\$ 94,089	\$ 46,505	\$ 75,972	\$ 406,358
Payroll taxes	52,779	37,244	36,256	6,992	3,456	5,668	30,463
Employee insurance	151,732	110,900	110,942	18,578	10,576	16,818	118,256
Other employee benefits	75,075	51,087	58,995	11,272	6,174	10,005	20,611
Total salaries and fringe benefits	981,517	697,649	683,752	130,931	66,711	108,463	575,688
Case-related	47,137	7,822	27,273	59	39	2,000	13
Resource and research-related	22,534	12,268	13,298	2,893	2,591	2,627	8,709
Consultants and professional fees	4,980	5,776	3,509	824	385	658	1,974
Special event	-	-	-	-	-	-	-
Occupancy costs	146,973	107,503	110,364	18,849	9,745	18,101	73,322
Other contractual	26,043	20,782	18,985	3,190	1,788	2,993	16,453
Office supplies and expenses	7,469	5,394	5,486	725	447	816	4,342
Staff travel and development	22,129	17,597	12,819	2,043	3,173	1,482	23,954
Design and printing	212	193	210	118	1,220	27	81
Equipment and computer expenses	12,660	8,206	8,314	1,285	999	1,087	6,944
Miscellaneous	110	436	69	12	13	11	74
Depreciation and amortization	11,626	9,739	7,650	1,392	754	1,176	6,154
Total expenses	<u>\$ 1,283,390</u>	<u>\$ 893,365</u>	<u>\$ 891,729</u>	<u>\$ 162,321</u>	<u>\$ 87,865</u>	<u>\$ 139,441</u>	<u>\$ 717,708</u>

The accompanying notes are an integral part of these financial statements.

EQUIP FOR EQUALITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	Program Services			Support Services		Total Expenses
	HAVA P&A	Other	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 73,493	\$ 891,593	\$ 3,265,918	\$ 768,442	\$ 37,612	\$ 4,071,972
Payroll taxes	5,777	58,688	237,323	55,129	2,511	294,963
Employee insurance	12,912	152,737	703,451	124,048	5,010	832,509
Other employee benefits	2,695	59,053	294,967	74,028	2,670	371,665
Total salaries and fringe benefits	94,877	1,162,071	4,501,659	1,021,647	47,803	5,571,109
Case-related	-	12,903	97,246	6,521	1,969	105,736
Resource and research-related	5,107	18,509	88,536	17,054	1,085	106,675
Consultants and professional fees	820	25,997	44,923	169,020	900	214,843
Special event	-	-	-	-	8,717	8,717
Occupancy costs	16,288	145,455	646,600	113,351	5,745	765,696
Other contractual	2,355	32,381	124,970	65,283	4,760	195,013
Office supplies and expenses	807	6,853	32,339	11,065	512	43,916
Staff travel and development	1,596	44,399	129,192	25,799	2,809	157,800
Design and printing	-	727	2,788	6,089	517	9,394
Equipment and computer expenses	7,731	19,645	66,871	83,531	1,415	151,817
Miscellaneous	5	336	1,066	3,108	174	4,348
Depreciation and amortization	2,207	7,655	48,353	2,947	891	52,191
Total expenses	\$ 131,793	\$ 1,476,931	\$ 5,784,543	\$ 1,525,415	\$ 77,297	\$ 7,387,255

The accompanying notes are an integral part of these financial statements.



EQUIP FOR EQUALITY, INC.  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 625,105
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	52,191
(Increase) decrease in operating assets:	
Federal and state grants receivable	320,258
Private grants receivable	88,783
Prepaid expenses	(78,583)
Increase (decrease) in operating liabilities:	
Accounts payable	(16,006)
Accrued salaries, wages, and other compensation	(68,026)
Deferred revenue	(42,713)
Deferred rent	(63,402)
Net Cash Provided by Operating Activities	<u>817,607</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital expenditures	<u>(47,367)</u>
Net Cash Used in Investing Activities	<u>(47,367)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings under notes payable agreement	(5,820)
Borrowings under line of credit	547,500
Repayments under line of credit	<u>(682,262)</u>
Net Cash Used in Financing Activities	<u>(140,582)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	629,658
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>1,353,126</u>
End of year	<u><u>\$ 1,982,784</u></u>
SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION	
Cash paid for interest	<u><u>\$ 15,338</u></u>
Cash paid for income taxes	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

EQUIP FOR EQUALITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization - Equip for Equality, Inc. (the "Agency") is an Illinois not-for-profit corporation. The mission of the corporation is to advance the human and civil rights of individuals with physical and mental disabilities. Through a competitive bid process in 1985, the Agency was designated by the governor as the Protection and Advocacy System for people with disabilities for the state of Illinois, pursuant to federal law. The Agency receives financial support from foundations, businesses, law firms, governmental agencies, and individuals. In addition, corporations, law firms, and individuals donate legal and other professional services to clients with disabilities and to the Agency itself. Offices in Chicago, Carbondale, Moline, Metro East and Springfield enable the Agency to serve individuals throughout Illinois.

Basis of Presentation - These financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Classification of Net Assets - Net assets of the Agency are classified as with or without donor restrictions depending on the presence and characteristics of donor-imposed restrictions limiting the Agency's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Agency reports gifts of cash or other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, the net assets are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Agency considers all short-term investments with maturities of three months or less when purchased to be cash equivalents. As of September 30, 2019, cash equivalents include \$1,924,487 in interest-earning accounts.

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Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Amortization of the cost of leasehold improvements is computed on a straight-line basis over the term of the lease or the estimated service life, depending on circumstances.

Property and equipment purchases and leasehold improvements in excess of \$5,000 per item are capitalized. Purchases below \$5,000 are expensed. Additions to the reference library are expensed as incurred. Assets are depreciated over their useful lives of 3 to 10 years. Costs of maintenance and repairs are charged to expense when incurred.

Deferred Revenue - Program income and interest earned on certain grant funds awarded to the Agency must be expended within the respective program and are recognized as deferred revenue when received and recognized as revenue when earned.

Revenue Recognition - The Agency receives grant revenue from federal and state agencies and private organizations and foundations. The Agency recognizes grant revenue from Federal and State agencies as expenses are incurred. Grant revenue from private organizations and foundations is recognized as revenue and receivable when committed to by the grantor.

Any of the federal and state funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Agency with the terms of the grants. Any disallowed claims resulting from noncompliance become a liability of the Agency.

Contributions received, including private grants and unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows. Donor-restricted contributions and promises are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restriction.

Grants and Other Receivables - Grants and other receivables consist of government and state grants, private grants, and other unconditional receivables that are carried at original pledge, invoice, or voucher amount. Management monitors the collection of pledges and grant receivables on a monthly basis and amounts are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Management believes that no allowance is necessary for the year ended September 30, 2019.

EQUIP FOR EQUALITY, INC.  
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Donated Legal/Professional Services - The Agency records contributions of donated services that create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills and that would typically need to be purchased if not provided by donation. When such contributions are received they are recorded at their fair values in the period received. \$97,862 of in-kind donated legal services have been reflected in the financial statements during the year ended September 30, 2019.

The Agency received 15,228 hours of donated legal and other professional services, which totaled \$1,254,384 for the year ended September 30, 2019. This amount has not been recognized in the statement of activities and changes in net assets because the criteria for recognition of those services has not been satisfied. The donated legal services were utilized across a variety of the Agency's programs.

Federal Income Taxes - The Agency is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Agency and recognize a tax liability if the Agency has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Agency and has concluded that as of September 30, 2019, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Agency is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes the Agency is no longer subject to income tax examinations for years prior to 2016.

Use of Accounting 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 the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adopted Accounting Pronouncements - The Agency has adopted the following recent accounting pronouncement:

In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities", which aims to improve presentation of financial information of nonprofit financial statements. The amendment requires the presentation of two classes of net assets ("net assets without donor restrictions" and "net assets with donor restrictions"); the presentation of underwater endowments funds and related disclosures; all nonprofits to present an analysis of expenses by function and nature; disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and the presentation of investment return net of external and direct investment expenses. ASU 2016-14 became

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effective for the Agency's year ending September 30, 2019. Amendments are applied retrospectively.

Subsequent Events - The Agency has evaluated subsequent events through March 4, 2020, the date these financial statements were available to be issued. There were no subsequent events required to be recognized or disclosed in these financial statements.

## 2. DESCRIPTION OF PROGRAMS AND SUPPORTING SERVICES

Program services are reported by funding source in the statement of functional expenses as follows:

Protection and Advocacy for Development Disabilities (DD P&A)  
Protection and Advocacy for Mental Illness (MI P&A)  
Protection and Advocacy for Individual Rights (PAIR)  
Assistive Technology Protection and Advocacy (AT P&A)  
Traumatic Brain Injury Protection and Advocacy (TBI P&A)  
Protection and Advocacy for Beneficiaries of Social Security (PABSS)  
Protection and Advocacy for Beneficiaries of Social Security – Representative Payee (PABSS Rep P&A)  
Help America Vote Act Protection and Advocacy (HAVA P&A)

The Agency also receives funding from state and local government sources. These amounts are included as "other program services".

Additionally, other program services are provided by unrestricted sources, including individuals, corporations and foundations.

The following is a description of the Agency's programs and supporting services:

### Self-Advocacy and Legal Services Program

The Self-Advocacy and Legal Services Program provides technical assistance in self-advocacy, legal advice, direct representation in negotiations, and administrative hearings in federal and state court.

Two teams make up the Legal Services Program:

#### *Civil Rights*

The Civil Rights team focuses on four major legal areas for people with disabilities: (1) challenging discrimination, (2) promoting community integration, (3) preserving the fundamental right to self-determination, and (4) protecting the rights and safety of individuals living in institutions and those receiving in-home and community services. Under anti-

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discrimination, the Agency handles cases in which people with disabilities have been treated differently because of their disabilities in such areas as employment, transportation, voting, state and local government programs, access to private businesses, and housing. Under community integration, the Agency works with people with disabilities seeking to live in more integrated settings with the support they need to be successful. The Agency successfully represented people with developmental disabilities, mental illnesses, and physical disabilities living in private institutions (nursing homes and similar settings) so they have the choice to return to the community with supportive housing and services. This groundbreaking systems reform was accomplished through settlement of three community integration class action lawsuits brought under the Americans with Disabilities Act in collaboration with pro bono law firm co-counsel. Under self-determination, the Agency represents people with disabilities to help them achieve their goals and limit any unnecessary restrictions on their ability to make choices, particularly within the context of adult guardianship.

*Special Education Clinic*

The Agency's Special Education Clinic (the "Clinic"), in partnership with 24 of Chicago's leading law firms and corporations, helps fill the unmet need of low-income Illinoisans grappling with education issues that go without legal assistance. With 197 trained pro bono attorneys and a small in-house legal staff, the Clinic operates a toll-free Parent Helpline, special education training seminars for parents and students, and legal representation in select cases where negotiation is unsuccessful.

Other Equip for Equality Programs and Initiatives:

*Abuse Investigation Unit*

The Abuse Investigation Unit (the "Unit") is an interdisciplinary team that serves as an independent monitor of public and private institutions and community-based facilities and programs serving people with disabilities and conducts investigations of abuse and neglect and suspicious deaths. The Unit was initially launched with a direct Congressional appropriation to the Agency (as sole recipient) to establish this initiative as a national model. The Unit has been instrumental in uncovering and publicizing both dangerous practices and troubled facilities and securing the amelioration of the practices and closure of the facilities. The Unit has also been monitoring the transition of individuals from institutions to the community to enhance their chances of success.

The Unit is also responsible for the newest P&A program which was enacted into law in 2018 and known as the "Strengthening Protections for Social Security Beneficiaries Act. This Act provides many new protections for Beneficiaries of the Social Security Administration's (SSA) Representative Payee Program and improves oversight of Payee management of benefits. The Act also lessens the burden on families. The Act directs the

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Protection and Advocacy (P&A) system in each state to conduct performance reviews of Representative Payees to determine if Beneficiary funds are properly safeguarded and their needs met, along with additional discretionary reviews. The Act also directs P&As to conduct outreach and educational trainings to ensure that Payees understand their duties and responsibilities.

*Training Institute on Disability Rights*

The Training Institute provides seminars for people with disabilities and their families on a range of topics, including employment protections, Americans with Disabilities Act, special education, and guardianship.

*Public Policy Program*

The Public Policy Program promotes organizational goals by educating policymakers and through community organizing. In-depth policy research projects are also conducted, culminating in public reports and recommendations for reform.

General and Administration

General and Administration includes the functions necessary to maintain an equitable employment program; to ensure an adequate working environment; to provide coordination and articulation of the Agency's program strategy through the office of the president and chief executive officer; to secure administrative functioning of the board of directors; and to manage the financial and budgetary responsibilities of the Agency.

Fundraising

Fundraising provides the structure necessary to encourage and secure financial support from foundations, businesses, law firms and individuals.

3. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	Amount	Depreciable Life
Furniture and fixtures - Cost	\$ 672,710	3-5
Leasehold improvements - Cost	44,330	10
Less accumulated depreciation	(620,161)	-
	\$ 96,879	

Depreciation expense for the year ended September 30, 2019 was \$52,191.

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NOTES TO FINANCIAL STATEMENTS  
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4. LINE OF CREDIT

On July 6, 2016 the Agency entered into a loan agreement with First Community Financial Bank (now Busey Bank). The line of credit renews automatically annually beginning July 5, 2017 until either the lender or the Agency give written notice to terminate the agreement. The loan allows for maximum borrowing of \$1,000,000. Amounts drawn against the line of credit are payable on demand and bear interest at a per annum rate equal to .25 percent above the Wall Street Journal Prime Rate. The loan is collateralized by all the Agency's business assets. During the year, total borrowings and repayments equaled \$547,500 and \$682,262 respectively. At September 30, 2019 a total of \$120,000 is outstanding on the line.

5. NOTES PAYABLE

The Agency has purchased a server under capital lease. The note is payable in monthly installments of \$485. The note is collateralized by the related equipment. The note is to expire in fiscal year 2021. Total amount outstanding on the note as of September 30, 2019 is \$8,730. The future minimal payments required under the capital lease are \$5,820 and \$2,910 for the years ending September 30, 2020 and 2021, respectively.

6. DEFERRED REVENUE

As of September 30, 2019, the following grants and programs had unexpended program income, which is included in deferred revenue on the statement of financial position:

Protection and Advocacy for Beneficiaries of Social Security	<u>\$ 19,359</u>
Total	<u><u>\$ 19,359</u></u>

7. RETIREMENT PLAN

The Agency sponsors a defined contribution plan under Internal Revenue Code Section 401(k) that covers all employees with 975 hours of service within six consecutive months from the employee's employment commencement date and who have reached 21 years of age.

The employee and the Agency make Contributions to the 401(k) plan: The Agency's mandatory matching contribution is 35 percent of the employee elective deferral up to a maximum of 7 percent of employees' annual salaries. The Agency may also make discretionary employer contributions to the 401(k) plan as determined each year. It is the board's intention that at the end of each fiscal year, as part of its year-end budgeting process, the amount of the annual employer contribution, if any, would be determined and approved. There would be no obligation or liability for the Agency to provide a discretionary contribution in any fiscal year. Expenses recognized by the Agency for employer-matching contributions amounted to \$105,475 for the year ended September 30, 2019. The board



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also approved and paid a 6% discretionary employer contribution for the year ended September 30, 2019 equal to \$202,961.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2019 are restricted for the following:

Purpose restriction	\$	122,546
Fellowship program		<u>168,385</u>
Total net assets with donor restrictions	\$	<u><u>290,931</u></u>

9. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Agency operates on a consistent annual cycle, with known recurring expenditures that include; payroll, travel and other expenditures incurred as a result of fulfilling the Agency’s mission.

Because of the cyclical predictability of its annual operations, the Agency is able to maximize the resources applied to mission-based programs.

The Agency’s financial assets available within one year of the statements of financial position date for general expenditure are as follows:

Cash and cash equivalents		\$1,982,784
Accounts receivable		<u>642,519</u>
Total financial assets available within one year		<u>2,625,303</u>
Amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions		<u>290,931</u>
Total financial assets unavailable for general expenditures within one year		<u>290,931</u>
Total financial assets available to management for general expenditure within one year		<u><u>\$ 2,334,372</u></u>

The Agency also has access to a \$1,000,000 line of credit that is not included in total financial assets available within one year. See Note 4 for details.

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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019

10. CONCENTRATIONS

During the year ended and as of September 30, 2019, the Agency noted the following, as a percentage of revenue and support and accounts receivable, respectively:

Revenues from federal, state and local governments	63%
Amounts due from federal, state and local governments	53%

The Agency maintains its cash balances in various financial institutions. The balances may, at times, exceed federally insured limits.

11. LEASE COMMITMENTS

The Agency's central office in Chicago is rented pursuant to a lease expiring in February 2021. In addition, the Agency leases three satellite offices in Carbondale, Springfield, and Moline. The Carbondale lease expired in June 2015 but was extended through June 2021. The Springfield lease expired in November 2014 and was extended through October 2019. During November 2017, the Springfield lease was amended and extended through October 2021. The Moline lease expired in May 2016, was extended through October 2019 and not renewed at expiration. The Agency is responsible for insurance and its pro-rata share of operating expenses and security under the provisions of certain of these leases. The Agency also has various copiers leased under operating leases set to expire September 30, 2021 through September 30, 2023. Rent expense, recognized on a straight-line basis, was \$621,359 for the year ended September 30, 2019 for office rental and \$20,800 for equipment rental.

The following is a schedule by year of future minimum rent payments required under the operating leases for the years ended September 30:

2020	\$ 584,771
2021	285,516
2022	6,683
2023	<u>1,521</u>
Total	<u>\$ 878,491</u>

12. NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to

EQUIP FOR EQUALITY, INC.  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019

which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Agency's year ending September 30, 2020. The ASU permits the new revenue recognition guidance to be applied using one or two retrospective application methods. The Agency has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The new guidance provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction. It also provides additional guidance on how to determine if a contribution is conditional. The new standard will be effective for transactions that occur during the Agency's fiscal year ended September 30, 2020. Early adoption is permitted.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current lease recording requirements in Topic 842. The ASU looks to increase transparency and comparability by conforming US GAAP with International Accounting Standards as it relates to leases. The new standard will require that all leases, including operating leases, be included on the balance sheet as a "right of use" asset with an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the Agency's year ending September 30, 2022, with early application permitted.

The Agency is assessing the potential impact of the new pronouncements on its operations and financial statements.

EQUIP FOR EQUALITY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CDFA Number</u>	<u>Pass Through Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services:</b>			
Direct Programs:			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	N/A	\$ 1,273,675
Protection and Advocacy for Individuals with Mental Illness	93.138	N/A	1,039,636
State Grants for Protection and Advocacy Services:			
Traumatic Brain Injury Protection and Advocacy	93.873	N/A	105,488
Voting Access for Individuals with Disabilities:			
Grants for Protection and Advocacy Systems	93.618	N/A	155,983
ACL Assistive Technology State Grants for Protection and Advocacy	93.843	N/A	194,716
Pass-through University of Illinois at Chicago - ACL National Institute on Disability, Independent Living and Rehabilitation Research	93.433	H133D010203	<u>35,786</u>
<b>Total U.S. Department of Health and Human Services:</b>			<b>2,805,284</b>
<b>U.S. Department of Education:</b>			
Direct Programs:			
Program of Protection and Advocacy of Individual Rights	84.240A	H240A190014	<u>305,618</u>
<b>Total U.S. Department of Education</b>			<b>305,618</b>
<b>Social Security Administration:</b>			
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	* 96.009	N/A	<u>1,028,337</u>
<b>Total Social Security Administration</b>			<u>1,028,337</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,139,239</u></u>

\* Audited as a major program

See Notes to Schedule of Federal Awards

EQUIP FOR EQUALITY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2019

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Equip for Equality, Inc. under programs of the federal government for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Equip for Equality, Inc., it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Equip for Equality, Inc. Pass-through entity identifying numbers are presented where available.

The Agency elected not to use the option of the 10% de minimis indirect cost rate.

**Basis of Accounting**

The accompanying schedule of expenditures of Federal awards is presented on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Payments to Subrecipients**

Equip for Equality, Inc. provided no Federal awards to sub-recipients during the year ended September 30, 2019.

**Non - Cash Assistance**

Equip for Equality, Inc. neither received nor disbursed Federal awards in the form of non-monetary assistance during the year ended September 30, 2019.

**Insurance, Loans, and Loan Guarantees**

During the year ended September 30, 2019, Equip for Equality, Inc. received no insurance, loans, loan guarantees or other Federal assistance for the purpose of administering Federal programs.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Equip for Equality, Inc.  
Chicago, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Equip for Equality, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 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, and have issued our report thereon dated March 4, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Equip for Equality, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Equip for Equality, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Equip for Equality, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Equip for Equality, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Equip for Equality, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Equip for Equality, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sassetti LLC*

March 4, 2020  
Oak Park, Illinois



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors  
Equip for Equality, Inc.  
Chicago, Illinois

**Report on Compliance for Each Major Federal Program**

We have audited Equip for Equality, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Equip for Equality, Inc.'s major federal programs for the year ended September 30, 2019. Equip for Equality, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Equip for Equality, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Equip for Equality, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Equip for Equality, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, Equip for Equality, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2019.



### Report on Internal Control Over Compliance

Management of Equip for Equality, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Equip for Equality, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Equip for Equality, Inc.'s internal control over compliance.

A *deficiency in internal control* over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Sassetti LLC*

March 4, 2020  
Oak Park, Illinois

EQUIP FOR EQUALITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

**PART I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statement Section**

Type of auditors' report issued:		<u>Unmodified</u>	
Internal control over financial reporting:			
Material weakness (es) identified?	<u>      </u> Yes	<u>    X    </u> No	
Significant deficiency (ies) identified not considered to be material weaknesses?	<u>      </u> Yes	<u>    X    </u> No	
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>    X    </u> No	

**Federal Awards Section**

Dollar threshold used to determine Type A programs:		<u>\$750,000</u>	
Auditee qualified as low-risk auditee?	<u>  X  </u> Yes	<u>      </u> No	
Type of auditor's report on compliance for major programs:		<u>Unmodified</u>	
Internal control over major programs:			
Material weakness (es) identified?	<u>      </u> Yes	<u>    X    </u> No	
Significant deficiency (ies) identified not considered to be material weaknesses?	<u>      </u> Yes	<u>    X    </u> No	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?	<u>      </u> Yes	<u>    X    </u> No	

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
96.009	Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries

EQUIP FOR EQUALITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2019

**PART II - FINANCIAL STATEMENT AUDIT FINDINGS**

NONE

**PART III - FEDERAL PROGRAM AUDIT FINDINGS**

NONE

**PART IV - SUMMARY OF PRIOR AUDIT FINDINGS**

NONE