



Equip for Equality, Inc.

Single Audit
September 30, 2020

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, 2020, 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, 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.



Other Matters

Other information

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 April 21, 2021, 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
April 21, 2021

EQUIP FOR EQUALITY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020

ASSETS	
Cash and cash equivalents	\$ 2,383,809
Receivables:	
Federal and state grants	743,479
Private grants	308,153
Prepaid expenses	202,682
Security deposits	50,480
Property and equipment, net	<u>86,651</u>
Total Assets	<u><u>\$ 3,775,254</u></u>
LIABILITIES	
Accounts payable	\$ 117,845
Accrued salaries, wages and other compensation	234,896
Notes payable	2,910
Deferred revenue	94,143
Deferred rent	<u>32,963</u>
Total Liabilities	<u>482,757</u>
NET ASSETS	
Without Donor Restrictions	
General operating	2,954,404
Net investment in property and equipment	<u>86,651</u>
Total Unrestricted Net Assets	3,041,055
With Donor Restrictions	<u>251,442</u>
Total Net Assets	<u>3,292,497</u>
Total Liabilities and Net Assets	<u><u>\$ 3,775,254</u></u>

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

EQUIP FOR EQUALITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restriction	Total
REVENUES AND OTHER SUPPORT			
Government Funds and Support:			
Federal grants	\$ 3,984,745	\$ -	\$ 3,984,745
State grants	670,680	-	670,680
Local contracts	300,000	-	300,000
Paycheck Protection Program grant	1,099,656	-	1,099,656
Private Funds and Support:			
Private foundation grants	459,000	292,788	751,788
Corporations and law firms	66,847	-	66,847
Contributed attorney fees	108,747	-	108,747
Individual contributions	78,217	-	78,217
Donated services	49,021	-	49,021
Earned and Program Income:			
Program income	16,527	-	16,527
Earned income - unrestricted	851,600	-	851,600
Interest	12,577	-	12,577
Miscellaneous income	24,017	-	24,017
Net assets released from restrictions	332,277	(332,277)	-
Total Revenues and Other Support	8,053,911	(39,489)	8,014,422
EXPENSES			
Program services	5,693,689	-	5,693,689
Administrative and general	1,341,422	-	1,341,422
Fundraising	140,310	-	140,310
Total Expenses	7,175,421	-	7,175,421
CHANGE IN NET ASSETS	878,490	(39,489)	839,001
NET ASSETS			
Beginning of year	2,162,565	290,931	2,453,496
End of year	\$ 3,041,055	\$ 251,442	\$ 3,292,497

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

EQUIP FOR EQUALITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

	Program Services						
	DD P&A	MI P&A	PAIR	AT P&A	TBI P&A	PABSS	PABSS REP P&A
Salaries	\$ 586,340	\$ 628,879	\$ 471,518	\$ 130,925	\$ 42,093	\$ 73,089	\$ 374,172
Payroll taxes	45,025	48,093	36,178	10,079	3,196	5,672	28,629
Employee insurance	110,340	118,133	87,901	20,054	7,825	13,055	86,529
Other employee benefits	23,927	26,639	21,405	6,061	1,602	3,852	7,824
Total salaries and fringe benefits	765,632	821,744	617,002	167,119	54,716	95,668	497,154
Case-related	26,803	5,883	1,428	-	51	2,000	-
Resource and research-related	14,218	12,026	12,608	2,079	1,338	1,949	6,195
Consultants and professional fees	5,771	4,355	4,865	470	564	867	3,072
Occupancy costs	128,393	125,134	106,386	27,271	8,666	17,077	67,682
Other contractual	20,815	22,937	18,426	4,246	1,603	2,840	14,254
Office supplies and expenses	8,179	8,440	7,262	1,075	660	1,048	4,883
Staff travel and development	7,483	9,451	4,054	437	389	647	12,130
Design and printing	5	126	10	5	1	-	142
Equipment and computer expenses	9,073	10,102	6,830	1,399	665	940	8,296
Miscellaneous	348	195	-	-	-	-	-
Depreciation and amortization	10,617	11,142	8,475	2,008	776	1,516	6,730
Total expenses	\$ 997,337	\$ 1,031,535	\$ 787,346	\$ 206,109	\$ 69,429	\$ 124,552	\$ 620,538

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

EQUIP FOR EQUALITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED
YEAR ENDED SEPTEMBER 30, 2020

	Program Services			Support Services		Total Expenses
	HAVA P&A	Other	Total Program Services	General and Administrative	Fundraising	
Salaries	\$ 98,452	\$ 1,088,110	\$ 3,493,578	\$ 765,184	\$ 88,656	\$ 4,347,418
Payroll taxes	7,560	76,442	260,874	49,631	4,209	314,714
Employee insurance	9,852	187,256	640,945	89,561	10,368	740,874
Other employee benefits	3,005	33,621	127,936	26,842	2,902	157,680
Total salaries and fringe benefits	118,869	1,385,429	4,523,333	931,218	106,135	5,560,686
Case-related	-	1,382	37,547	16	-	37,563
Resource and research-related	1,581	18,639	70,633	11,320	1,480	83,433
Consultants and professional fees	900	15,434	36,298	117,215	4,499	158,012
Occupancy costs	21,554	182,592	684,755	70,401	12,778	767,934
Other contractual	2,833	29,897	117,851	65,591	4,844	188,286
Office supplies and expenses	1,252	11,991	44,790	14,543	361	59,694
Staff travel and development	1,083	26,346	62,020	16,476	3,695	82,191
Design and printing	-	-	289	6,614	-	6,903
Equipment and computer expenses	3,893	15,906	57,104	105,376	1,255	163,735
Miscellaneous	-	28	571	722	177	1,470
Depreciation and amortization	1,763	15,471	58,498	1,930	5,086	65,514
Total expenses	\$ 153,728	\$ 1,703,115	\$ 5,693,689	\$ 1,341,422	\$ 140,310	\$ 7,175,421

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

EQUIP FOR EQUALITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 839,001
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	65,514
(Increase) in operating assets:	
Federal and state grants receivable	(403,588)
Private grants receivable	(5,525)
Prepaid expenses	(2,152)
Security deposits	2,125
Increase (decrease) in operating liabilities:	
Accounts payable	47,711
Accrued salaries, wages, and other compensation	37,184
Deferred revenue	74,784
Deferred rent	(72,924)
Net Cash Provided by Operating Activities	<u>582,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital expenditures	<u>(55,285)</u>
Net Cash Used in Investing Activities	<u>(55,285)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayments under notes payable agreement	(5,820)
Borrowings under line of credit	292,821
Repayments under line of credit	<u>(412,821)</u>
Net Cash Used in Financing Activities	<u>(125,820)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	401,025
CASH AND CASH EQUIVALENTS:	
Beginning of year	<u>1,982,784</u>
End of year	<u>\$ 2,383,809</u>
SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION	
Cash paid for interest	<u>\$ 5,901</u>
Cash paid for income taxes	<u>\$ -</u>

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

EQUIP FOR EQUALITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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, 2020, cash equivalents include \$2,284,385 in interest-earning accounts.

EQUIP FOR EQUALITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

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 eligible expenditures as defined in each grant, contract, or other allowable cost manual are incurred. Unconditional grant revenue from private organizations and foundations is recognized as revenue and receivable when committed to by the grantor. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring payments to be returned if the barrier is not overcome.

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.

Receivables - 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

EQUIP FOR EQUALITY, INC.
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SEPTEMBER 30, 2020

previously written off are recorded when received. Management believes that no allowance is necessary for the year ended September 30, 2020.

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. \$49,021 of in-kind donated legal services have been reflected in the financial statements during the year ended September 30, 2020.

The Agency received 11,015 hours of donated legal and other professional services, which totaled \$972,876 for the year ended September 30, 2020. 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, 2020, 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 2017.

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:

During fiscal year-end September 30, 2020, the Agency adopted Financial Accounting Standards Board's Accounting Standard Update ("ASU") 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This ASU assists organizations in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The

EQUIP FOR EQUALITY, INC.
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Agency adopted ASU 2018-08 using a modified prospective method effective October 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of October 1, 2019. As a result, the 2019 financial statements are not restated and there was no cumulative-effect adjustment to opening net assets as of October 1, 2019. There were no changes to the recognition of contribution revenue during 2020.

Subsequent Events - The Agency has evaluated subsequent events through April 21, 2021, the date these financial statements were available to be issued. As documented in Note 7, the Paycheck Protection Program Loan received during fiscal year 2020 was fully forgiven in December 2020.

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.

For the year ended September 30, 2020, programmatic related expenses make up 79% of total expenses and administrative and general and fundraising expenses make up 19% and 2%, respectively, of total organization expenses.

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.

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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-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.

EQUIP FOR EQUALITY, INC.
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SEPTEMBER 30, 2020

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 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. **CONDITIONAL GRANTS**

Conditional grants are grants that include a specific condition in order to earn the revenue. Conditional grants are not recorded in revenue until the condition of the grant is met (generally, when the service is provided). The Organization has conditional grants to

EQUIP FOR EQUALITY, INC.
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provide protection and advocacy services from the following agencies that are available to be used during fiscal year 2021 on qualifying expenses:

City of Chicago - Board of Election Commissioners	\$ 700,000
Department of Education	77,056
Department of Health & Human Services	395,961
Department of Justice	103,720
Illinois Department of Human Services	681,926
Social Security Administration	<u>774,464</u>
Total	<u>\$ 2,733,127</u>

4. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	Amount	Depreciable Life
Furniture and fixtures - Cost	\$ 727,995	3-5
Leasehold improvements - Cost	<u>44,330</u>	10
Less accumulated depreciation	<u>(685,674)</u>	-
	<u>\$ 86,651</u>	

Depreciation expense for the year ended September 30, 2020 was \$65,514.

5. LINE OF CREDIT

The Agency has a line of credit agreement with Busey Bank which renews automatically annually in July 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 \$292,821 and \$412,821, respectively. At September 30, 2020, there was no outstanding balance on the line.

6. 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, 2020 is \$2,910. The future minimum payments required under the capital lease are \$2,910 for the year ending September 30, 2021.

EQUIP FOR EQUALITY, INC.
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7. PAYCHECK PROTECTION PROGRAM

On April 17, 2020, the Agency received a U.S. Small Business Administration Loan (the "SBA Loan") from Busey Bank, pursuant to the Paycheck Protection Program (the "PPP") established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), in the amount of \$1,092,800. The loans and accrued interest are forgivable after twenty-four weeks, provided the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintains specific payroll levels. The amount of the loan eligible for forgiveness would be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. Should any amount have not been forgiven, the unforgiven portion of the PPP loan would be payable over two years at an annual interest rate of 1%.

The Organization elected to follow Accounting Standards Codification 958-605. Under this election, the Organization reduces the liability and records a corresponding contribution when conditions for forgiveness are substantially met or explicitly waived. During the year ended September 30, 2020, the Organization utilized \$1,092,800 for purposes consistent with the PPP. This amount is included in revenues and other support and is deemed a grant for the year ended September 30, 2020. A total of \$6,856 of forgiven interest was also recorded for the year ended September 30, 2020. On December 2, 2020, the Agency has received forgiveness from the bank and the U.S. Small Business Administration for the full amount of the loan.

8. DEFERRED REVENUE

As of September 30, 2020, 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 Persons with Developmental Disabilities	\$ 7,927
Protection and Advocacy for Individuals with Mental Illness	66,857
Protection and Advocacy for Beneficiaries of Social Security	<u>19,359</u>
Total	<u>\$ 94,143</u>

9. 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

EQUIP FOR EQUALITY, INC.
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SEPTEMBER 30, 2020

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 \$119,306 for the year ended September 30, 2020.

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at September 30, 2020 are restricted for the following:

Purpose restriction	\$	143,023
Fellowship program		108,419
Total net assets with donor restrictions	\$	251,442

11. 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	\$	2,383,809
Accounts receivable		1,051,632
Total financial assets available within one year		3,435,441

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 5 for details.

12. CONCENTRATIONS

As of September 30, 2020, contracts with government agencies comprised 71% of total receivables. For the year ended September 30, 2020, 61% of the total revenues and other support was from governmental sources. Cuts to government funding for the Agency's programs could result in a reduction of funding to the Agency.

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

EQUIP FOR EQUALITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

13. LEASE COMMITMENTS

The Agency's central office in Chicago is rented pursuant to a lease expiring in February 2021. Subsequent to year end, the Agency extended the lease through August 2022. 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 \$627,655 for the year ended September 30, 2020 for office rental and \$19,743 for equipment rental.

The following is a schedule by year of future minimum rent payments required under the operating leases (including extension of the Chicago office lease) for the years ended September 30:

2021	\$ 554,669
2022	477,993
2023	<u>1,521</u>
Total	<u>\$ 1,034,183</u>

14. UNCERTAINTIES AND COVID-19

On March 10, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic, and on March 13, 2020, the President of the United States declared the COVID-19 pandemic a national emergency, invoking powers under the Stafford Act, the Legislation that directs federal emergency disaster response. The Agency cannot predict how legal and regulatory responses to concerns about COVID-19 or other major public health issues will continue to impact the Organization. The total magnitude, timing, and duration of such potential financial impacts cannot be reasonably estimated at this time.

15. NEW ACCOUNTING PRONOUNCEMENTS

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

EQUIP FOR EQUALITY, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

an offsetting liability for the payments remaining on the lease. The new guidance will be effective for the Agency's year ending September 30, 2023, with early application permitted.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Early adoption is permitted. The updated standard will be adopted for the Agency's September 30, 2021 financial statements.

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, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CDFA Number</u>	<u>Pass Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services:			
Direct Programs:			
Developmental Disabilities Basic Support and Advocacy Grants	93.630	N/A	\$ 976,580
Protection and Advocacy for Individuals with Mental Illness *	93.138	N/A	1,023,141
State Grants for Protection and Advocacy Services	93.873	N/A	71,428
Voting Access for Individuals with Disabilities- Grants for Protection and Advocacy Systems	93.618	N/A	162,308
ACL Assistive Technology State Grants for Protection and Advocacy	93.843	N/A	183,514
Pass-through University of Illinois at Chicago:			
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433	N/A	<u>66,004</u>
Total U.S. Department of Health and Human Services			2,482,975
U.S. Department of Education:			
Direct Program:			
Program of Protection and Advocacy of Individual Rights	84.240A	N/A	<u>761,749</u>
Total U.S. Department of Education			761,749
Social Security Administration:			
Direct Program:			
Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	96.009	N/A	<u>757,370</u>
Total Social Security Administration			757,370
U.S. Department of Justice:			
Passed-through Equal Justice Works			
Crime Victim Assistance/Discretionary Grants	16.582	N/A	<u>13,510</u>
Total U.S. Department of Justice			<u>13,510</u>
Total Expenditures of Federal Awards			<u>\$ 4,015,604</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, 2020

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, 2020. 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, 2020.

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, 2020.

Insurance, Loans, and Loan Guarantees

During the year ended September 30, 2020, 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, 2020, 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 April 21, 2021.

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) as a basis for designing 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 financial statements. 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

April 21, 2021
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, 2020. 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, 2020.



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

April 21, 2021
Oak Park, Illinois

EQUIP FOR EQUALITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2020

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditors' report issued:		Unmodified	
<hr/>			
Internal control over financial reporting:			
Material weakness (es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency (ies) identified?	<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:		\$750,000	
<hr/>			
Auditee qualified as low-risk auditee?	<u> X </u> Yes	<u> </u> No	
Type of auditor's report on compliance for major programs:		Unmodified	
<hr/>			
Internal control over major programs:			
Material weakness (es) identified?	<u> </u> Yes	<u> X </u> No	
Significant deficiency (ies) identified?	<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>
93.138	Protection and Advocacy for Individuals with Mental Illness

EQUIP FOR EQUALITY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020

PART II - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

PART III - FEDERAL PROGRAM AUDIT FINDINGS

NONE

PART IV - SUMMARY OF PRIOR AUDIT FINDINGS

NONE