Equip for Equality, Inc.

Single Audit

September 30, 2018

Sassetti

CERTIFIED PUBLIC ACCOUNTANTS

TABLE OF CONTENTS

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

INDEPENDENT AUDITOR'S 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, 2018, 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.

Auditor's 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, 2018, and the changes in its net assets

Sassetti
CERTIFIED PUBLIC ACCOUNTANTS

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 March 4, 2019, 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, 2019

EQUIP FOR EQUALITY, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2018

ASSETS	
Cash and cash equivalents	$ 1,353,126
Receivables:	
Federal and state grants	660,149
Private grants	391,411
Prepaid expenses	121,947
Security deposits	52,605
Property and equipment, net	101,703
Total Assets	$ 2,680,941
LIABILITIES	
Accounts payable	$ 86,139
Accrued salaries, wages and other compensation	265,738
Bank line of credit	254,762
Notes payable	14,550
Deferred revenue	62,072
Deferred rent	169,289
Total Liabilities	852,550
NET ASSETS	
Unrestricted:	
General operating	1,477,310
Net investment in property and equipment	101,703
Total Unrestricted Net Assets	1,579,013
Temporarily restricted net assets	249,378
Total Net Assets	1,828,391
Total Liabilities and Net Assets	$ 2,680,941

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

EQUIP FOR EQUALITY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES AND OTHER SUPPORT			
Government Funds and Support:			
Federal grants	$ 3,721,940	$ -	$ 3,721,940
State grants	464,595	-	464,595
Local contracts	337,500	-	337,500
Private Funds and Support:			
Private foundation grants	355,250	349,733	704,983
Corporations and law firms	109,705	-	109,705
Individual contributions	116,457	-	116,457
Donated services	33,970	-	33,970
Earned and Program Income:			
Program income	401,875	-	401,875
Earned income - unrestricted	916,345	-	916,345
Interest	10,852	-	10,852
Net assets released from restrictions	377,837	(377,837)	-
Total Revenues and Other Support	6,846,326	(28,104)	6,818,222
EXPENSES			
Program services	5,084,724	-	5,084,724
Administrative and general	1,348,168	-	1,348,168
Fundraising	97,897	-	97,897
Total Expenses	6,530,789	-	6,530,789
CHANGE IN NET ASSETS	315,537	(28,104)	287,433
NET ASSETS			
Beginning of year	1,263,476	277,482	1,540,958
End of year	$ 1,579,013	$ 249,378	$ 1,828,391

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

EQUIP FOR EQUALITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Program Services						
	DD P&A	MI P&A	PAIR	AT P&A	TBI P&A	PABSS	PABSS REP P&A
Salary expense	$ 650,313	$ 473,000	$ 329,231	$ 56,937	$ 40,805	$ 79,802	$ 76,960
Payroll taxes	47,942	34,827	24,296	4,176	2,981	5,884	5,713
Employee insurance	122,860	98,452	65,844	10,169	7,943	17,106	19,271
Other employee benefits	68,218	45,150	36,373	6,871	4,540	8,246	1,324
Total salaries and fringe benefits	889,333	651,429	455,744	78,153	56,269	111,038	103,268
Case-related expenses	57,796	2,502	18,987	-	9	28	-
Resource and research-related	19,580	11,959	10,311	1,692	2,525	3,055	632
Consultants and professional fees	19,774	26,710	1,991	433	711	642	-
Special event	-	-	-	-	-	-	-
Occupancy costs	146,707	111,403	71,117	11,245	8,822	20,768	12,985
Other contractual expenses	25,870	21,707	13,800	2,221	1,792	3,677	2,516
Office supplies and expenses	6,692	5,570	3,682	397	398	792	276
Staff travel and development	24,913	25,129	10,404	1,761	3,750	5,975	1,493
Design and printing	1,628	2,122	730	198	142	176	3
Equipment and computer expenses	13,617	9,849	6,443	901	868	1,397	558
Miscellaneous expense	701	852	2,616	966	365	3,264	86
Depreciation and amortization	7,993	5,758	3,947	649	501	999	807
Total expenses	$ 1,214,604	$ 874,990	$ 599,772	$ 98,616	$ 76,152	$ 151,811	$ 122,624

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

EQUIP FOR EQUALITY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2018

	Program Services			Support Services		
	HAVA P&A	Other	Total Program Services	General and Administrative	Fundraising	Total Expenses
Salary expense	$ 72,548	$ 1,010,929	$ 2,790,525	$ 682,578	$ 38,078	$ 3,511,181
Payroll taxes	5,432	70,625	201,876	51,103	3,051	256,030
Employee insurance	14,835	187,846	544,326	118,823	7,325	670,474
Other employee benefits	3,556	101,863	276,141	80,176	7,260	363,577
Total salaries and fringe benefits	96,371	1,371,263	3,812,868	932,680	55,714	4,801,262
Case-related expenses	-	12,430	91,752	494	375	92,621
Resource and research-related	2,164	23,438	75,356	12,378	1,163	88,897
Consultants and professional fees	188	49,012	99,461	144,213	3,227	246,901
Special event	-	-	-	-	10,372	10,372
Occupancy costs	15,541	179,933	578,521	133,601	7,977	720,099
Other contractual expenses	2,386	45,916	119,885	46,097	6,983	172,965
Office supplies and expenses	819	9,053	27,679	12,652	1,139	41,470
Staff travel and development	8,154	58,203	139,782	13,745	4,070	157,597
Design and printing	21	3,328	8,348	1,990	2,197	12,535
Equipment and computer expenses	2,234	46,222	82,089	39,017	2,171	123,277
Miscellaneous expense	321	6,467	15,638	11,301	755	27,694
Depreciation and amortization	849	11,842	33,345	-	1,754	35,099
Total expenses	$ 129,048	$ 1,817,107	$ 5,084,724	$ 1,348,168	$ 97,897	$ 6,530,789

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

EQUIP FOR EQUALITY, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 287,433
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	35,099
(Increase) decrease in operating assets:	
Federal and state grants receivable	(125,986)
Private grants receivable	(10,421)
Prepaid expenses	4,185
Increase (decrease) in operating liabilities:	
Accounts payable	4,067
Accrued salaries, wages, and other compensation	84,137
Deferred revenue	(22,075)
Deferred rent	(53,891)
Net Cash Provided by Operating Activities	202,548
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital expenditures	(53,960)
Net Cash Used in Investing Activities	(53,960)
CASH FLOWS FROM FINANCING ACTIVITIES	
Borrowings under notes payable agreement	9,912
Borrowings under line of credit	819,000
Repayments under line of credit	(564,238)
Net Cash Provided by Financing Activities	264,674
NET INCREASE IN CASH AND CASH EQUIVALENTS	413,262
CASH AND CASH EQUIVALENTS:	
Beginning of year	939,864
End of year	$ 1,353,126
SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION	
Cash paid for interest	$ 8,982
Cash paid for income taxes	$ -

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

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 unrestricted, temporarily restricted, or permanently restricted 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.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. There were no permanently restricted net assets at September 30, 2018.

Cash and Cash Equivalents - For the purpose of the statement of cash flows, the Organization considers all short-term investments with maturities of three months or less when purchased to be cash equivalents. As of September 30, 2018, cash equivalents include $1,272,711 in interest-earning accounts.

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 unrestricted net assets 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 temporarily restricted or permanently restricted net assets, as appropriate. When a restriction expires, the temporarily restricted net assets are reclassified to unrestricted net assets 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, 2018.

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. The total amount recorded for the year ending September 30, 2018 was $33,970.

The Agency received approximately 20,000 hours of donated legal and other professional services, which totaled approximately $1,500,000 for the year ended September 30, 2018. 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, 2018, 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 2015.

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.

Subsequent Events - The Agency has evaluated subsequent events through March 4, 2019, 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)

Other program services are generally provided by unrestricted sources, including individuals, corporations and foundations.

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

<u>Self-Advocacy and Legal Services Program</u>
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 our 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 25 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 over 200 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 in to 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. PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows:

	Amount	Depreciable Life
Furniture and fixtures - Cost	$ 625,342	3-5
Leasehold improvements - Cost	44,330	10
Less accumulated depreciation	(567,969)	-
	$ 101,703	

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 $819,000 and $564,238 respectively. At September 30, 2018 a total of $254,762 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, 2018 is $14,550. The future minimal payments required under the capital lease are $5,820, $5,820 and $2,910 for the year ending September 30, 2019, 2020 and 2021, respectively.

6. DEFERRED REVENUE

As of September 30, 2018, the following grants and programs had unexpended program income or refundable advances, which is included in deferred revenue on the statement of financial position:

Protection and Advocacy for Beneficiaries of Social Security	$	6,859
DHS - Abuse Investigation Unit		46,988
Other disability research and legal support funding		8,225
Total	$	62,072

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 $88,663 for the year ended September 30, 2018. The board also approved and paid a 6% discretionary employer contribution for the year ended September 30, 2018 equal to $194,411.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at September 30, 2018 are restricted for the following:

Purpose restriction	$	85,902
Fellowship program		163,476
Total temporarily restricted net assets	$	249,378

9. CONCENTRATIONS

During the year ended September 30, 2018, grants from federal and state agencies, and local contracts amounted to approximately sixty-sixty percent of total revenues and support.

Amounts due from these governmental sources represented approximately sixty-three percent of the accounts receivable balance at September 30, 2018.

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

10. LEASE COMMITMENTS

The Agency's central office in Chicago is rented pursuant to a lease expiring in February 2021.1n addition, the Agency leases three satellite offices in Carbondale, Springfield, and Rock Island. The Carbondale lease expired in June 2015 but was extended through June 2019. The Springfield lease expired in November 2014 but was extended through November 2019. The Rock Island lease expired in May 2016 and was extended through May 2019. 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 $578,333 for the year ended September 30, 2018 for office rental and $21,914 for equipment rental.

The following is a schedule by year of future minimum rent payments required under the operating leases as of September 30, 2018:

Years ending September 30,		
2019		$ 507,012
2020		467,014
2021		203,644
2022		2,607
2023		1,521
	Total	$ 1,181,798

11. 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 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.

Effective February 25, 2016 the Financial Accounting Standards Board issued Accounting Standards Update (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, among other things, 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, 2021, with early application permitted. As noted above in Note 10, the Agency has significant lease payments committed through 2020. However the full extent of the potential effects of the new standard, including disclosures, has not been fully determined.

The Financial Accounting Standards Board issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities,* in August 2016. This standard requires changes to the financial statement presentation of not-for-profit entities, including changing from three net asset classes to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will require changes in the way certain information is disclosed by the Agency, including quantitative and qualitative disclosures about liquidity and the Agency's ability to meet cash needs for general expenditures within one year of the balance sheet. The new standard is effective for the Agency's year ending September 30, 2019 and thereafter, with retroactive application. The Agency is currently evaluating the impact this standard will have on the financial statements.

EQUIP FOR EQUALITY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title		Federal CDFA Number	Pass Through Number	Federal Expenditures
U.S. Department of Health and Human Services:				
Direct Programs:				
Developmental Disabilities Basic Support and Advocacy Grants	*	93.630	N/A	$ 1,292,508
Protection and Advocacy for Individuals with Mental Illness		93.138	N/A	1,051,088
State Grants for Protection and Advocacy Services:				
Traumatic Brain Injury Protection and Advocacy		93.873	N/A	93,599
Voting Access for Individuals with Disabilities:				
Grants for Protection and Advocacy Systems		93.618	N/A	158,616
ACL Assistive Technology State Grants for Protection and Advocacy		93.843	N/A	121,209
Pass-through University of Illinois at Chicago -				
ACL National Institute on Disability, Independent Living				
and Rehabilitation Research		93.433	H133D010203	60,000
Total U.S. Department of Health and Human Services:				2,777,020
U.S. Department of Education:				
Direct Programs:				
Program of Protection and Advocacy of Individual Rights		84.240A	N/A	579,626
Total U.S. Department of Education				579,626
Social Security Administration:				
Social Security State Grants for Work Incentives				
Assistance to Disabled Beneficiaries		96.009	N/A	326,542
Total Social Security Administration				326,542
Total Expenditures of Federal Awards				$ 3,683,188

* 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, 2018

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, 2018. 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 Organization 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, 2018.

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, 2018.

Insurance, Loans, and Loan Guarantees

During the year ended September 30, 2018, 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, 2018, and the related statements of activities, statements of 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, 2019.

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 Organization'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.

6611 W. North Avenue ▪ Oak Park, IL 60302 ▪ P 708.386.1433 ▪ F 708.386.0139 ▪ www.sassetti.com

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sassetti LLC

March 4, 2019
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, 2018. 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.

Auditor's 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, 2018.

Sassetti
CERTIFIED PUBLIC ACCOUNTANTS

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.' 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, 2019
Oak Park, Illinois

EQUIP FOR EQUALITY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2018

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statement Section

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness (es) identified?		Yes	X	No
Significant deficiency (ies) identified not considered to be material weaknesses?		Yes	X	No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards Section

Dollar threshold used to determine Type A programs: $750,000

Auditee qualified as low-risk auditee?	X	Yes		No

Type of auditor's report on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness (es) identified?		Yes	X	No
Significant deficiency (ies) identified not considered to be material weaknesses?		Yes	X	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)?		Yes	X	No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.630	Developmental Disabilities Basic Support and Advocacy Grants

PART II - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

PART III - FEDERAL PROGRAM AUDIT FINDINGS

NONE

PART IV - SUMMARY OF PRIOR AUDIT FINDINGS

NONE