

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.

FINANCIAL STATEMENTS

December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Adaptive Community Approach Program, Inc.
Waukesha, Wisconsin

We have audited the accompanying financial statements of Adaptive Community Approach Program, Inc., which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adaptive Community Approach Program, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Wegner CPAs LLP

Wegner CPAs, LLP
Waukesha, Wisconsin
June 14, 2018

Janesville Office:

101 E. Milwaukee Street
Suite 425
Janesville, WI 53545
P: (608) 756-4020

Baraboo Office:

123 Second Street
P.O. Box 150
Baraboo, WI 53913
P: (608) 356-3966
F: (608) 356-2966

Milwaukee Office:

W229 N1433 Westwood Drive
Suite 105
Waukesha, WI 53186
P: (262) 522-7555
F: (262) 522-7550

Madison Office:

2921 Landmark Place
Suite 300
Madison, WI 53713
P: (608) 274-4020
F: (608) 274-0775

www.wegnercpas.com
info@wegnercpas.com
(888) 204-7665

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 154,207	\$ 156,621
Certificates of deposit	40,861	61,489
Accounts receivable	49,746	42,737
Promises to give	114,205	19,040
Prepaid expenses	8,289	1,104
Security deposit	1,000	1,000
Total current assets	368,308	281,991
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Vehicles	192,273	192,273
Equipment	17,821	24,134
Leasehold improvements	9,300	9,300
Website	8,145	8,145
Equipment and leasehold improvements	227,539	233,852
Less accumulated depreciation	(181,960)	(173,654)
Equipment and leasehold improvements - net	45,579	60,198
OTHER ASSETS		
Certificates of deposit	31,682	10,820
Investments	294,019	162,243
Beneficial interest in assets held by Waukesha County Community Foundation	18,132	15,650
Total other assets	343,833	188,713
Total assets	\$ 757,720	\$ 530,902
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 2,217	\$ 3,243
Accrued payroll	23,270	1,553
Total current liabilities	25,487	4,796
NET ASSETS		
Unrestricted		
Undesignated	706,704	503,262
Board designated - agency endowment	18,132	15,650
Total unrestricted	724,836	518,912
Temporarily restricted	7,397	7,194
Total net assets	732,233	526,106
Total liabilities and net assets	\$ 757,720	\$ 530,902

See accompanying notes.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENT OF ACTIVITIES
Years ended December 31, 2017 and 2016

	Unrestricted	Temporarily Restricted	2017 Total
SUPPORT AND REVENUE			
Contributions	\$ 187,338	\$ 7,397	\$ 194,735
Special events	82,982	-	82,982
Program service contracts	643,488	-	643,488
Program fees	41,075	-	41,075
Investment return	12,185	-	12,185
Agency endowment return	2,482	-	2,482
	<u>969,550</u>	<u>7,397</u>	<u>976,947</u>
EXPENSES			
Program service			
Community programs	609,012	-	609,012
Supporting activities			
Management and general	114,128	-	114,128
Fundraising	47,680	-	47,680
	<u>161,808</u>	<u>-</u>	<u>161,808</u>
Total expenses	770,820	-	770,820
Net assets released from restrictions	7,194	(7,194)	-
Change in net assets	205,924	203	206,127
Net assets - beginning of year	518,912	7,194	526,106
Net assets - end of year	<u>\$ 724,836</u>	<u>\$ 7,397</u>	<u>\$ 732,233</u>

See accompanying notes.

Unrestricted	Temporarily Restricted	2016 Total
\$ 91,660	\$ 7,194	\$ 98,854
81,316	-	81,316
553,292	-	553,292
39,569	-	39,569
6,934	-	6,934
1,259	-	1,259
774,030	7,194	781,224
615,556	-	615,556
122,098	-	122,098
49,965	-	49,965
172,063	-	172,063
787,619	-	787,619
113,514	(113,514)	-
99,925	(106,320)	(6,395)
418,987	113,514	532,501
\$ 518,912	\$ 7,194	\$ 526,106

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	Program Service	Management and General	Fundraising	Total
Personnel	\$ 504,750	\$ 77,084	\$ 35,336	\$ 617,170
Occupancy	29,488	4,504	2,064	36,056
Professional fees	-	22,368	-	22,368
Office expenses	4,793	5,822	336	10,951
Telephone	3,257	498	228	3,983
Printing and postage	1,254	191	88	1,533
Insurance	8,955	1,368	627	10,950
Conferences and meetings	2,149	329	150	2,628
Repairs and maintenance	166	25	12	203
Events fees and supplies	-	-	8,002	8,002
Travel	13,651	-	-	13,651
Grants and scholarships	2,303	-	-	2,303
Program supplies	24,012	-	-	24,012
Depreciation	11,956	1,826	837	14,619
Miscellaneous	2,278	113	-	2,391
Total expenses	<u>\$ 609,012</u>	<u>\$ 114,128</u>	<u>\$ 47,680</u>	<u>\$ 770,820</u>

See accompanying notes.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016

	Program Service	Management and General	Fundraising	Total
Personnel	\$ 509,572	\$ 81,968	\$ 37,251	\$ 628,791
Occupancy	29,165	4,692	2,132	35,989
Professional fees	-	24,646	-	24,646
Office expenses	2,552	4,929	165	7,646
Telephone	2,910	468	213	3,591
Printing and postage	1,924	310	141	2,375
Insurance	6,802	1,094	497	8,393
Conferences and meetings	107	17	8	132
Repairs and maintenance	259	42	19	320
Events fees and supplies	-	-	7,847	7,847
Travel	12,458	-	-	12,458
Grants and scholarships	4,847	-	-	4,847
Program supplies	19,986	-	-	19,986
Depreciation	23,149	3,724	1,692	28,565
Miscellaneous	1,825	208	-	2,033
Total expenses	<u>\$ 615,556</u>	<u>\$ 122,098</u>	<u>\$ 49,965</u>	<u>\$ 787,619</u>

See accompanying notes.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 206,127	\$ (6,395)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	14,619	28,565
Unrealized and realized gains on investments	(9,791)	(4,897)
Agency endowment return	(2,482)	(1,259)
(Increase) decrease in assets		
Accounts receivable	(7,009)	7,107
Promises to give	(95,165)	95,979
Prepaid expenses	(7,185)	9,629
Increase (decrease) in liabilities		
Accounts payable	(1,026)	648
Accrued payroll	21,717	14
Net cash flows from operating activities	119,805	129,391
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest retained in certificates of deposit	(234)	(262)
Purchase of equipment and leasehold improvements	-	(50,529)
Purchase of investments	(120,000)	-
Interest and dividends retained in investments	(1,985)	(1,612)
Net cash flows from investing activities	(122,219)	(52,403)
Change in cash	(2,414)	76,988
Cash - beginning of year	156,621	79,633
Cash - end of year	\$ 154,207	\$ 156,621

See accompanying notes.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

Adaptive Community Approach Program, Inc. (ACAP) was organized as a nonprofit corporation for the purpose of teaching life-long skills to people with disabilities to help achieve their individual potential and further enable them to become contributing and valued members within the community.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

ACAP reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by or for the benefit of ACAP in perpetuity.

Accounts Receivable

ACAP considers all accounts receivable to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If accounts receivable become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as support or gains in the period the promise is made and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value. All unconditional promises to give are due within one year.

Equipment and Leasehold Improvements

Purchases of equipment and leasehold improvements and costs for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Equipment and leasehold improvements are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

Investments

ACAP carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Donated Services

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received. Volunteers also perform a variety of tasks to assist ACAP in its program service and supporting activities that are not recorded in the financial statements since the recognition criteria were not met.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on the functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the program service and supporting activities benefited.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

ACAP is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Date of Management's Review

Management has evaluated subsequent events through June 14, 2018, the date which the financial statements were available to be issued.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 2 – INVESTMENTS

Investments at December 31, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Exchange traded funds	\$ 153,187	\$ 95,247
Money market funds	<u>140,832</u>	<u>66,996</u>
Investments	<u>\$ 294,019</u>	<u>\$ 162,243</u>

Investment return for 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 2,394	\$ 2,037
Unrealized and realized gains	<u>9,791</u>	<u>4,897</u>
Investment return	<u>\$ 12,185</u>	<u>\$ 6,934</u>

NOTE 3 – AGENCY ENDOWMENT

The board of directors designated \$10,000 of unrestricted net assets to Waukesha County Community Foundation (Foundation) to establish an agency endowment fund known as the ACAP Fund with ACAP specified as the beneficiary. The contribution is to support the mission of ACAP. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets. The principal, \$10,000, must be preserved as an endowment unless the board of directors of the Foundation determine that unusual circumstances exist that make it advisable to utilize the principal.

The activity for 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Balance - beginning of year	\$ 15,650	\$ 14,391
Agency endowment return	<u>2,482</u>	<u>1,259</u>
Balance - end of year	<u>\$ 18,132</u>	<u>\$ 15,650</u>

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Assistive technology equipment	\$ 2,900	\$ -
Future year operations	<u>4,497</u>	<u>7,194</u>
Temporarily restricted net assets	<u>\$ 7,397</u>	<u>\$ 7,194</u>

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	Fair Value	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Exchange traded funds	\$ 153,187	\$ 153,187	\$ -	\$ -
Beneficial interest in assets held by Waukesha County Community Foundation	<u>18,132</u>	<u>-</u>	<u>-</u>	<u>18,132</u>
December 31, 2017	<u>\$ 171,319</u>	<u>\$ 153,187</u>	<u>\$ -</u>	<u>\$ 18,132</u>
Exchange traded funds	\$ 95,247	\$ 95,247	\$ -	\$ -
Beneficial interest in assets held by Waukesha County Community Foundation	<u>15,650</u>	<u>-</u>	<u>-</u>	<u>15,650</u>
December 31, 2016	<u>\$ 110,897</u>	<u>\$ 95,247</u>	<u>\$ -</u>	<u>\$ 15,650</u>

Fair values for exchange traded funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

ACAP's beneficial interest in assets held by Waukesha County Community Foundation represents an agreement between ACAP and the Foundation in which ACAP transfers assets to the Foundation in exchange for future investment earning distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to ACAP by the Foundation. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Beneficial interest in assets held by the Foundation measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs) at December 31, 2017 and 2016 consisted of the following:

	2017	2016
Beginning balance	\$ 15,650	\$ 14,391
Change in value of beneficial interest	<u>2,482</u>	<u>1,259</u>
Ending balance	<u>\$ 18,132</u>	<u>\$ 15,650</u>

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 5 – FAIR VALUE MEASUREMENTS (continued)

The change in value of beneficial interest included in the change in net assets is reported as agency endowment return on the statements of activities.

NOTE 6 – OPERATING LEASES

ACAP leases studio space in Waukesha, Wisconsin, with monthly payments of \$1,030, which expires in June 2019. ACAP has a year-to-year arrangement with First United Methodist Church of Waukesha (Church) for use of rooms with a fair value during 2017 and 2016 of \$21,600 and \$21,360. There is no required payment necessary under the signed agreement. The fair value of the rent less the amount of contributions made by ACAP to the Church is considered in-kind. ACAP made payments to the Church in 2017 and 2016 of \$21,600 and \$21,336. Rent expense for 2017 and 2016 was \$34,020 and \$33,696.

ACAP also has an operating lease for a copier, with monthly payments of \$151, which expires in June 2018. Copier expense for 2017 and 2016 was \$2,617 and \$2,310.

Future minimum lease payments for the years ending December 31 are:

2018	\$	13,265
2019		6,180