

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.

FINANCIAL STATEMENTS

December 31, 2020 and 2019

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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, 2020 and 2019, 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

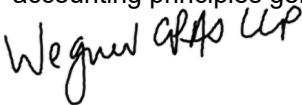
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2020 and 2019, 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
Waukesha, Wisconsin
June 22, 2021

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 511,194	\$ 329,717
Certificates of deposit	42,545	31,168
Accounts receivable	38,279	64,731
Unconditional promises to give	19,802	7,730
Prepaid expenses	<u>2,730</u>	<u>4,016</u>
Total current assets	614,550	437,362
EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Vehicles	167,215	167,215
Equipment	17,821	17,821
Leasehold improvements	12,539	12,539
Website	<u>8,145</u>	<u>8,145</u>
Total equipment and leasehold improvements	205,720	205,720
Accumulated depreciation	<u>(132,188)</u>	<u>(97,596)</u>
Equipment and leasehold improvements, net	73,532	108,124
OTHER ASSETS		
Long-term certificates of deposit	10,591	21,536
Investments	390,891	354,696
Beneficial interest in assets held by Waukesha County Community Foundation	21,531	19,769
Security deposit	<u>1,000</u>	<u>1,000</u>
Total other assets	<u>424,013</u>	<u>397,001</u>
Total assets	<u>\$ 1,112,095</u>	<u>\$ 942,487</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,512	\$ 2,206
Accrued payroll	<u>954</u>	<u>31,605</u>
Total current liabilities	2,466	33,811
NET ASSETS		
Without donor restrictions	1,105,383	887,718
With donor restrictions	<u>4,246</u>	<u>20,958</u>
Total net assets	<u>1,109,629</u>	<u>908,676</u>
Total liabilities and net assets	<u>\$ 1,112,095</u>	<u>\$ 942,487</u>

See accompanying notes.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions						
General donations and grants	\$ 295,361	\$ 4,246	\$ 299,607	\$ 190,615	\$ 20,958	\$ 211,573
Paycheck Protection Program assistance	146,000	-	146,000	-	-	-
CARES Act Provider Payment assistance	208,538	-	208,538	-	-	-
CARES Act Provider Relief Fund assistance	102,936	-	102,936	-	-	-
Special events (less costs of direct benefits to donors of \$2,821 for 2019)	48,228	-	48,228	94,398	-	94,398
Program service contracts	400,867	-	400,867	766,958	-	766,958
Program fees	10,295	-	10,295	41,020	-	41,020
Investment return, net	36,978	-	36,978	43,488	-	43,488
Change in value of beneficial interest in assets held by Waukesha County Community Foundation	1,762	-	1,762	2,976	-	2,976
Total support and revenue	1,250,965	4,246	1,255,211	1,139,455	20,958	1,160,413
EXPENSES						
Community programs	825,798	-	825,798	829,228	-	829,228
Management and general	186,258	-	186,258	168,920	-	168,920
Fundraising	42,202	-	42,202	45,037	-	45,037
Total expenses	1,054,258	-	1,054,258	1,043,185	-	1,043,185
NET ASSETS RELEASED FROM RESTRICTIONS						
Satisfaction of purpose restrictions	16,712	(16,712)	-	5,350	(5,350)	-
Expiration of time restrictions	4,246	(4,246)	-	5,025	(5,025)	-
Change in net assets	217,665	(16,712)	200,953	106,645	10,583	117,228
Net assets at beginning of year	887,718	20,958	908,676	781,073	10,375	791,448
Net assets at end of year	\$ 1,105,383	\$ 4,246	\$ 1,109,629	\$ 887,718	\$ 20,958	\$ 908,676

accompanying notes.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Community Programs	Management and General	Fundraising	Total Expenses
Personnel	\$ 695,305	\$ 157,402	\$ 38,923	\$ 891,630
Occupancy	42,797	5,526	1,116	49,439
Professional fees	-	12,636	-	12,636
Office expenses	6,324	3,128	354	9,806
Telephone	3,491	450	91	4,032
Printing and postage	2,200	285	57	2,542
Insurance	13,730	1,773	358	15,861
Conferences and meetings	173	22	5	200
Repairs and maintenance	12,226	838	169	13,233
Events fees and supplies	-	-	334	334
Travel	2,074	-	-	2,074
Grants and scholarships	6,855	-	-	6,855
Program supplies	7,197	-	-	7,197
Depreciation	29,945	3,866	781	34,592
Miscellaneous	3,481	332	14	3,827
	<u>\$ 825,798</u>	<u>\$ 186,258</u>	<u>\$ 42,202</u>	<u>\$ 1,054,258</u>
Total expenses	<u>\$ 825,798</u>	<u>\$ 186,258</u>	<u>\$ 42,202</u>	<u>\$ 1,054,258</u>

See accompanying notes.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Community Programs	Management and General	Fundraising	Costs of Direct Benefits to Donors	Total Expenses
Personnel	\$ 677,406	\$ 138,995	\$ 37,451	\$ -	\$ 853,852
Occupancy	39,603	4,883	1,196	-	45,682
Professional fees	-	13,738	-	-	13,738
Office expenses	8,702	3,876	475	-	13,053
Telephone	3,310	408	100	-	3,818
Printing and postage	3,885	479	117	-	4,481
Insurance	11,857	1,462	358	-	13,677
Conferences and meetings	130	16	4	-	150
Repairs and maintenance	7,880	971	238	-	9,089
Events fees and supplies	-	-	4,140	2,821	6,961
Travel	5,905	-	-	-	5,905
Program supplies	38,585	-	-	-	38,585
Depreciation	30,066	3,707	908	-	34,681
Miscellaneous	1,899	385	50	-	2,334
Total expenses	829,228	168,920	45,037	2,821	1,046,006
Less expenses netted against support and revenue on the statement of activities	-	-	-	(2,821)	(2,821)
Total expenses included in the expenses section of the statement of activities	\$ 829,228	\$ 168,920	\$ 45,037	\$ -	\$ 1,043,185

See accompanying notes.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 200,953	\$ 117,228
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Net unrealized and realized gains on investments	(29,348)	(34,788)
Change in value of beneficial interest in assets held by Waukesha County Community Foundation	(1,762)	(2,976)
Depreciation	34,592	34,681
(Increase) decrease in assets		
Accounts receivable	26,452	6,365
Unconditional promises to give	(12,072)	(1,505)
Prepaid expenses	1,286	9,383
Increase (decrease) in liabilities		
Accounts payable	(694)	1,260
Accrued payroll	(30,651)	(1,779)
	<u>188,756</u>	<u>127,869</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends reinvested	(6,847)	(8,218)
Interest on certificates of deposit reinvested	(432)	(439)
	<u>(7,279)</u>	<u>(8,657)</u>
Change in cash	181,477	119,212
Cash at beginning of year	<u>329,717</u>	<u>210,505</u>
Cash at end of year	<u>\$ 511,194</u>	<u>\$ 329,717</u>

See accompanying notes.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Adaptive Community Approach Program, Inc. (ACAP) is a nonprofit corporation that teaches 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. ACAP's primary sources of revenue includes contributions and program service contracts.

Accounts Receivable

Accounts receivable primarily represent amounts due from government agencies, managed care organizations, and individuals for recreational services, personal assistance services, and other similar services provided by ACAP. Accounts receivable are stated at the amount management expects to be collected from outstanding balances. As of December 31, 2020 and 2019, management has determined, based on historical experience, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received 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.

Equipment and Leasehold Improvements

All acquisitions of equipment and leasehold improvements in excess of \$5,000 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.

Paycheck Protection Program Loans

ACAP received loans under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act and administered by the U.S. Small Business Administration. The loans will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. ACAP expects to meet the PPP's eligibility criteria and believes the loans are, in substance, grants that are expected to be forgiven. ACAP recognizes amounts expected to be forgiven as revenue when it incurs qualifying expenses.

Investments

ACAP reports investments in equity securities with readily determinable fair values at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beneficial Interest in Assets Held by Waukesha County Community Foundation

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 distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. The fair value of the beneficial interest is based on the fair value of the underlying assets as reported to ACAP by the Foundation. Little information about those assets is released publicly. The estimated fair value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions 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 donor-restricted contributions are reported as increases 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 statements of activities as net assets released from restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ACAP. Volunteers also provide various services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Revenue Recognition

ACAP provides recreational services, personal assistance services, and other similar services to people with developmental disabilities. Revenue from these services is recognized at the point in time when ACAP provides the particular service. ACAP generally bills the individual or third party payor on a daily, monthly, or hourly basis based on approved unit rates in program service contracts. For program fees paid directly by individuals, ACAP generally bills the individual at the time of service. For services reimbursed by third party payors, ACAP generally bills the managed care organization or other payor on a monthly basis.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and office expenses, which are allocated on the basis of estimates of time and effort, as well as occupancy, telephone, printing and postage, insurance, conferences and meetings, repairs and maintenance, depreciation, and miscellaneous, which are allocated on a square-footage basis.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues 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 22, 2021, the date which the financial statements were available to be issued.

NOTE 2—PAYCHECK PROTECTION PROGRAM LOANS

ACAP received loans totaling \$292,000 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). On February 18, 2021, the SBA preliminarily approved forgiveness of ACAP’s first \$146,000 loan, obtained April 21, 2020. ACAP has not yet applied for forgiveness of its second \$146,000 loan that was obtained February 10, 2021. ACAP must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review ACAP’s good-faith certification concerning the necessity of its loan request, whether ACAP calculated the loan amount correctly, whether ACAP used loan proceeds for the allowable uses specified in the CARES Act, and whether ACAP is entitled to loan forgiveness in the amount claimed on its application. If SBA determines ACAP was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 3—INVESTMENTS

Investments are comprised of the following:

	2020	2019
Exchange traded funds	\$ 349,251	\$ 319,903
Money market funds	41,640	34,793
	\$ 390,891	\$ 354,696

Fair values of exchange traded funds are based on quoted net asset values of the shares as reported by the fund. The exchange traded funds held by ACAP are open-end funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at that price. The exchange traded funds held by ACAP are considered to be actively traded, which are Level 1 fair value measurements.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4—ENDOWMENT

At December 31, 2020 and 2019, ACAP's board of directors has designated \$21,531 and \$19,769, respectively, of net assets without donor restrictions as a general endowment fund to support the mission of ACAP. Since those amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as net assets without donor restrictions.

ACAP established a component fund at the Waukesha County Community Foundation to invest and administer its endowment assets. The Foundation will make annual distributions of the income earned on the fund subject to the Foundation's spending policy.

The Foundation's primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power of the investment portfolio. The Foundation seeks to achieve this goal through cost-effective implementation at an appropriate level of risk, diversification of asset classes and strategies to provide consistent returns, capital preservation in down market cycles to provide stability in spending support, and long-term capital appreciation through the incorporation of risk-based assets, including nonmarketable, illiquid alternatives.

Composition of and changes in endowment net assets for the years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Board-designated endowment net assets at beginning of year	\$ 19,769	\$ 16,793
Change in value of beneficial interest	1,762	2,976
Board-designated endowment net assets at end of year	\$ 21,531	\$ 19,769

NOTE 5—CONCENTRATIONS OF CREDIT RISK

ACAP maintains its cash balances in one financial institution located in southeastern Wisconsin. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020 and 2019, ACAP's uninsured cash balances total approximately \$316,000 and \$135,000, respectively.

NOTE 6—NET ASSETS

ACAP's board of directors has designated net assets without donor restrictions for the following purposes:

	2020	2019
Board-designated endowment	\$ 21,531	\$ 19,769
Undesignated	1,083,852	867,949
	\$ 1,105,383	\$ 887,718

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 6—NET ASSETS (continued)

Net assets with donor restrictions are restricted for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Future years' operations	\$ 4,246	\$ 4,246
Art Links expansion	-	16,712
	<u>\$ 4,246</u>	<u>\$ 20,958</u>

NOTE 7—LIQUIDITY AND AVAILABILITY

The following reflects ACAP's financial assets at December 31, 2020 and 2019, reduced by amounts not available for general expenditures within one year of the dates of the statements of financial position:

	<u>2020</u>	<u>2019</u>
Financial assets at end of year:		
Cash	\$ 511,194	\$ 329,717
Certificates of deposit	53,136	52,704
Accounts receivable	38,279	64,731
Unconditional promises to give	19,802	7,730
Investments	390,891	354,696
Beneficial interest in assets held by Waukesha County Community Foundation	<u>21,531</u>	<u>19,769</u>
Total financial assets at end of year	1,034,833	829,347
Less amounts unavailable for general expenditures within one year:		
Board-designated endowment	(21,531)	(19,769)
Restricted by donors with purpose restrictions	<u>-</u>	<u>(16,712)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,013,302</u>	<u>\$ 792,866</u>

As part of ACAP's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets not available for general expenditures at December 31, 2020 and 2019 include \$21,531 and \$19,769, respectively, set aside for long-term purposes; however, amounts could be made available if necessary.

ADAPTIVE COMMUNITY APPROACH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 8—OPERATING LEASES

ACAP leases studio space in Waukesha, Wisconsin, under a non-cancellable operating lease that expires in May 2023. The lease requires monthly payments of \$1,870. ACAP also has a year-to-year agreement with First United Methodist Church of Waukesha for use of rooms with no required payment necessary under the agreement. The fair value of the rent less the amount of contributions made by ACAP to the Church is considered an in-kind contribution. ACAP made payments to the Church during the years ended December 31, 2020 and 2019 of \$23,040 and \$24,335, respectively, which represented, at a minimum, the fair value of the use of the space.

ACAP leases a copier under a non-cancellable operating lease that expires in September 2023 and requires monthly payments of \$190.

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

2021	\$	24,718
2022		24,718
2023		11,059

Lease expense for the years ended December 31, 2020 and 2019 was \$47,758 and \$45,381, respectively.

NOTE 9—COVID-19 CONSIDERATIONS

In March 2020, the United States economy began suffering adverse effects from the COVID-19 virus global crisis. ACAP altered operations and services to reduce the spread of COVID-19. These changes included office closures, reduction of programs, and converting certain programs and fundraising events to a virtual platform. While the disruption is currently expected to be temporary, there is uncertainty around the duration of restrictions on gatherings, which may have an impact on contributions received, program services provided, and fair value of assets. At this time, the potential related financial impact cannot be reasonably estimated.