

ALTERNATIVES IN MOTION

FINANCIAL STATEMENTS

DECEMBER 31, 2004

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**H&S Companies
Certified Public Accountants
& Business Consultants**

April 27, 2005

Board of Directors
Alternatives in Motion
1916 Breton Road SE
Grand Rapids, MI 49506

Independent Auditor's Report

We have audited the accompanying statement of financial position of Alternatives in Motion (a nonprofit organization) as of December 31, 2004, the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Alternatives in Motion's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alternatives in Motion as of December 31, 2004 and changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2003 financial statements were reviewed by us and our report thereon, dated April 27, 2004, stated we were not aware of any material modifications that should be made to those statements from them to be in conformity with generally accepted accounting principles. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Hendon & Slate, PC

Hendon & Slate, P.C.
Certified Public Accountants

ALTERNATIVES IN MOTION

Comparative Statement of Financial Position December 31, 2004 and 2003

	<u>12/31/04</u>	<u>12/31/03</u>
	<u>Assets</u>	
Cash	\$ 699	\$ 9,761
Advances	1,820	1,820
Inventory	<u>67,650</u>	<u>23,450</u>
Total Current Assets	70,169	35,031
Property and Equipment		
Equipment	133,015	83,500
Furniture and Fixtures	22,493	22,493
Leasehold Improvements	<u>17,590</u>	<u>17,590</u>
Total Property and Equipment	173,098	123,583
Less: Accumulated Depreciation	<u>(74,425)</u>	<u>(63,528)</u>
Net Property and Equipment	<u>98,673</u>	<u>60,055</u>
Total Assets	<u>\$ 168,842</u>	<u>\$ 95,086</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Current Liabilities		
Accounts Payable	\$ 15,567	\$ 24,228
Line of Credit	23,969	23,675
Accrued Payroll Taxes	465	4,259
Current Portion of Long-Term Debt	<u>1,225</u>	<u>2,608</u>
Total Current Liabilities	41,226	54,770
Long-Term Liabilities		
Dell Lease	-	1,294
Dell Lease	1,225	2,562
(Less: Current Portion)	<u>(1,225)</u>	<u>(2,608)</u>
Total Long-Term Liabilities	<u>-</u>	<u>1,248</u>
Total Liabilities	41,226	56,018
Net Assets - Unrestricted	<u>127,616</u>	<u>39,068</u>
Total Liabilities and Net Assets	<u>\$ 168,842</u>	<u>\$ 95,086</u>

See Accompanying Notes to Financial Statements

ALTERNATIVES IN MOTION

Comparative Statement of Activities For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Grants	\$ 60,000	\$ 121,500
Donations		
Cash	128,303	80,096
In-Kind	141,905	75,383
Interest Income	<u>12</u>	<u>-</u>
Total Support and Revenue	330,220	276,979
Expenses		
Program Expenses		
Chairs	45,237	38,820
Salaries	36,456	33,538
Payroll Taxes	2,489	2,565
Health Insurance	1,086	3,702
Management and General		
Salaries	62,363	54,344
Payroll Taxes	12,390	4,157
Health Insurance	3,903	6,000
Office Supplies and Postage	2,647	4,550
Computer Expense	740	359
Office Rent	17,535	17,535
Other Professional Services	4,420	3,800
Utilities and Phone	3,500	3,618
Insurance	350	450
Dues and Subscriptions	48	137
Repairs and Maintenance	454	91
Travel	3,669	3,088
Advertising	178	3,980
Depreciation	10,898	11,281
Interest	3,107	1,190
Miscellaneous	1,201	3,050
Fund Raising		
Salaries	4,375	35,000
Payroll Taxes	335	2,678
Other Fund Raising Expenses	<u>24,290</u>	<u>17,596</u>
Total Expenses	241,672	246,529
Loss on Sale of Fixed Asset	-	26
Total Expenses and Losses	<u>241,672</u>	<u>246,555</u>
Increase in Unrestricted Net Assets	88,548	30,424
Net Assets at Beginning of Year	<u>39,068</u>	<u>8,644</u>
Net Assets at End of Year	<u>\$ 127,616</u>	<u>\$ 39,068</u>

See Accompanying Notes to Financial Statements

ALTERNATIVES IN MOTION

Statement of Cash Flows For the Year Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 88,548	\$ 30,424
Adjustments to Reconcile the Increase in Assets to Net Cash Flows from Operating Activities		
Depreciation	10,898	11,281
Loss on Sale of Fixed Assets	-	26
(Increase) Decrease in Inventory	(44,200)	(23,450)
Increase (Decrease) in Accounts Payable	(8,661)	5,880
(Decrease) in Accrued Payroll Taxes	<u>(3,794)</u>	<u>(84)</u>
Net Cash Provided by Operating Activities	42,791	24,077
Cash Flows from Investing Activities		
Purchase of Equipment	(49,515)	(34,429)
Cash Flows from Financing Activities		
Note Payable Amounts Borrowed	17,000	29,044
Note Payable Repayments	<u>(19,338)</u>	<u>(19,342)</u>
Net Cash Provided by (Used In) Financing Activities	<u>(2,338)</u>	<u>9,702</u>
Net Increase(Decrease) in Cash	(9,062)	(650)
Beginning Cash Balance	<u>9,761</u>	<u>10,411</u>
Ending Cash Balance	<u>\$ 699</u>	<u>\$ 9,761</u>

See Accompanying Notes to Financial Statements

ALTERNATIVES IN MOTION

Notes to the Financial Statements
December 31, 2004

NOTE A DESCRIPTION OF AGENCY

The mission of Alternatives in Motion is to provide wheelchairs to individuals who would not otherwise qualify for assistance and who could not otherwise obtain such equipment without financial aid.

The organization focuses on new and individually fitted wheelchairs and specialized equipment, such as seating systems for wheelchairs, and other mobility related items.

In 2004 and 2003, the organization provided assistance to fifty and forty-one individuals, respectively.

NOTE B SIGNIFICANT ACCOUNTING POLICIES

Alternatives in Motion is a non-profit corporation exempt from income tax under Section 501 (c)(3) of the U.S. Internal Revenue Code. The organization files IRS Form 990 under Federal ID #38-3133483.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117 *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Alternatives in Motion is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Basis of Accounting - The financial statements of Alternatives in Motion have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Property and Equipment - Fixed assets are stated at cost, if purchased, or at fair market value at date of donation, if acquired by donation. For financial reporting and tax purposes, depreciation is computed by the straight-line depreciation method over the estimated useful life of the assets.

Inventories - Inventories are recorded at the estimated fair market value at the date of donation.

Investments - Alternatives in Motion carries investments in marketable securities at their fair values in the statement of financial position. If unrealized gains or losses occurred, they would be included in the change in net assets in the accompanying statement of activities and functional expenses.

Restricted and Unrestricted Revenue and Support - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

The Organization reports general support, including cash, as either temporarily or permanently restricted if such support is 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 restrictions is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a donor restriction expires in the same reporting period that the contribution was made, such contribution is reported as unrestricted support in the statement of activities.

Donated Service - Donated services are recognized as contributions in accordance with SFAS NO. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise have to be purchased. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the criteria for SFAS No. 116 are not met.

NOTE C DEPOSITS

Alternatives in Motion's unrestricted deposits totaled \$824 on December 31, 2004 and \$9,761 on December 31, 2003. These deposits were held in Alternatives in Motion's name and were fully covered by federal depository insurance.

NOTE D DONATED PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as contributions at their estimated fair market value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Notes to the Financial Statements (Continued)

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

NOTE E PROGRAM EXPENSES

In addition to the retail value of the chairs provided to individuals, 50% of executive salaries, payroll taxes, and health insurance is considered to be direct program expenses.

NOTE F CASH FLOW INFORMATION

Alternatives in Motion had noncash transactions for donated rent of \$17,535 for 2004 and \$17,535 for 2003. Donated wheelchairs, parts, and supplies amounted to \$124,370 for 2004 and \$57,848 for 2003. These items were reported in the statement of activities and functional expenses as In-Kind Donations with a corresponding expense also recorded. Interest expense was \$3,107 for 2004 and \$1,190 for 2003. There was no interest or federal income tax paid or accrued in either fiscal year.

For purposes of reporting cash flows, cash includes demand deposits with banks or financial institutions, on-hand currency, and other kinds of accounts that have the general characteristics of demand deposits. Cash equivalents include short-term investments with original maturities of three months or less.

NOTE G LINE OF CREDIT

On August 27, 2001, Alternatives in Motion entered into an agreement with Fifth Third Bank for a line of credit. The available balance is \$25,000 and is at a variable rate based on prime rate. The balance was \$23,969 at December 31, 2004 and \$23,675 at December 31, 2003.