

ALTERNATIVES IN MOTION

FINANCIAL STATEMENTS

December 31, 2005 and 2004

TABLE OF CONTENTS

Accountant's Review Report	1
Comparative Statements of Financial Position	2
Comparative Statements of Activities and Functional Expenses	3
Statements of Cash Flows	4
Notes to the Financial Statements	5 - 7
GRAPHS	
Expenses	8
Donations	9
Number of Individuals Assisted	10

April 12, 2006

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

We have reviewed the accompanying statement of financial position of Alternatives in Motion (a nonprofit organization) as of December 31, 2005, and the related statements of activities and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of management of Alternatives in Motion.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The financial statements for the year ended December 31, 2004, were audited by us, and we expressed an unqualified opinion on them in our report dated April 27, 2005, but we have not performed any auditing procedures since that date.

Our review was made for the purpose of expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles. The information included in the accompanying graphs is presented only for supplementary analysis purposes. Such information has been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, and we are not aware of any material modifications that should be made thereto.

Hendon & Slate, P.C.
Certified Public Accountants

ALTERNATIVES IN MOTION

Comparative Statements of Financial Position December 31, 2005 and 2004

	<u>12/31/05</u>	<u>12/31/04</u>
<u>Assets</u>		
Cash	\$ 5,163	\$ 699
Accounts Receivable	2,139	-
Advances	3,178	1,820
Inventory	<u>111,360</u>	<u>67,650</u>
Total Current Assets	121,840	70,169
Property and Equipment		
Equipment	131,961	133,015
Furniture and Fixtures	22,493	22,493
Leasehold Improvements	<u>2,000</u>	<u>17,590</u>
Total Property and Equipment	156,454	173,098
Less: Accumulated Depreciation	<u>(86,414)</u>	<u>(74,425)</u>
Net Property and Equipment	<u>70,040</u>	<u>98,673</u>
Total Assets	<u>\$ 191,880</u>	<u>\$ 168,842</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 13,527	\$ 15,567
Line of Credit	30,000	23,969
Accrued Payroll Taxes	2,168	465
AB Dick Lease	2,313	-
Current Portion of Long-Term Debt	<u>-</u>	<u>1,225</u>
Total Current Liabilities	48,008	41,226
Long-Term Liabilities		
Dell Lease	-	1,225
(Less: Current Portion)	<u>-</u>	<u>(1,225)</u>
Total Long-Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	48,008	41,226
Net Assets - Unrestricted	<u>143,872</u>	<u>127,616</u>
Total Liabilities and Net Assets	<u>\$ 191,880</u>	<u>\$ 168,842</u>

See Accompanying Notes and Accountants' Report

ALTERNATIVES IN MOTION

Comparative Statements of Activities For the Years Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
UNRESTRICTED NET ASSETS		
Support and Revenue		
Grants	\$ 73,500	\$ 60,000
Donations		
Cash	81,505	128,303
In-Kind	118,010	141,905
Interest Income	-	<u>12</u>
Total Support and Revenue	<u>273,015</u>	<u>330,220</u>
Expenses		
Program Expenses		
Mobility Equipment	78,431	45,237
Salaries	37,797	36,456
Payroll Taxes	2,891	2,489
Health Insurance	-	1,086
Program Expenses	689	-
Travel	3,584	-
Depreciation	<u>9,903</u>	<u>-</u>
	133,295	85,268
Management and General		
Salaries	52,246	62,363
Payroll Taxes	6,187	12,390
Health Insurance	-	3,903
Office Supplies and Postage	2,171	2,647
Computer Expense	262	740
Office Rent	17,535	17,535
Other Professional Services	4,569	4,420
Utilities and Phone	3,938	3,500
Insurance	547	350
Dues and Subscriptions	28	48
Repairs and Maintenance	-	454
Travel	-	3,669
Advertising	-	178
Depreciation	11,156	10,898
Interest	4,659	3,107
Miscellaneous	<u>2,740</u>	<u>1,202</u>
	106,038	127,404
Fund Raising		
Salaries	-	4,375
Payroll Taxes	-	335
Advertising	500	-
Other Fund Raising Expenses	4,835	24,290
Depreciation	<u>3,873</u>	<u>-</u>
	<u>9,208</u>	<u>29,000</u>
Total Expenses	248,541	241,672
Loss on Sale of Fixed Asset	<u>8,218</u>	<u>-</u>
Total Expenses and Losses	<u>256,759</u>	<u>241,672</u>
Increase in Unrestricted Net Assets	16,256	88,548
Net Assets at Beginning of Year	<u>127,616</u>	<u>39,068</u>
Net Assets at End of Year	<u>\$ 143,872</u>	<u>\$ 127,616</u>

See Accompanying Notes and Accountants' Report

ALTERNATIVES IN MOTION

Statements of Cash Flows For the Year Ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 16,256	\$ 88,548
Adjustments to Reconcile the Increase in Assets to Net Cash Flows from Operating Activities		
Depreciation	24,932	10,898
(Increase) in Advances	(1,358)	-
(Increase) in Accounts Receivable	(2,139)	-
Loss on Sale of Fixed Assets	8,218	-
(Increase) Decrease in Inventory	(43,710)	(44,200)
Increase (Decrease) in Accounts Payable	(2,040)	(8,661)
Increase (Decrease) in Accrued Payroll Taxes	<u>1,703</u>	<u>(3,794)</u>
Net Cash Provided by Operating Activities	1,862	42,791
Cash Flows from Investing Activities		
Purchase of Equipment	(4,517)	(49,515)
Cash Flows from Financing Activities		
Note Payable Amounts Borrowed	32,517	17,000
Note Payable Repayments	<u>(25,398)</u>	<u>(19,338)</u>
Net Cash Provided by (Used In) Financing Activities	<u>7,119</u>	<u>(2,338)</u>
Net Increase(Decrease) in Cash	4,464	(9,062)
Beginning Cash Balance	<u>699</u>	<u>9,761</u>
Ending Cash Balance	<u>\$ 5,163</u>	<u>\$ 699</u>

See Accompanying Notes and Accountants' Report

ALTERNATIVES IN MOTION

Notes to the Financial Statements
December 31, 2005 and 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 2005 and 2004, the organization provided assistance to ninety-six and fifty 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 \$2,646 on December 31, 2005 and \$824 on December 31, 2004. 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 2005 and \$17,535 for 2004. Donated wheelchairs, parts, and supplies amounted to \$100,425 for 2005 and \$124,370 for 2004. 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 \$4,659 for 2005 and \$3,107 for 2004. 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 \$30,000 and is at a variable rate based on prime rate. The balance was \$30,000 at December 31, 2005 and \$23,969 at December 31, 2004.