

ALTERNATIVES IN MOTION
FINANCIAL STATEMENTS
DECEMBER 31, 2001

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May 30, 2002

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, 2001 and 2000, the related statements of activities and functional expenses and cash flows for the years 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 audits.

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, 2001 and 2000 and the results of its operations and its changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Hendon & Slate, P.C.
Certified Public Accountants

ALTERNATIVES IN MOTION

Comparative Statement of Financial Position December 31, 2001 and 2000

	<u>12/31/01</u>	<u>12/31/00</u>
<u>Assets</u>		
Cash	\$ 18,181	\$ 42,088
Advances	1,795	1,795
Promises to Give	25,000	25,000
Inventory	<u>14,300</u>	<u>18,426</u>
Total Current Assets	59,276	87,309
Property and Equipment		
Equipment	47,971	47,971
Furniture and Fixtures	22,493	-
Leasehold Improvements	<u>17,589</u>	<u>7,074</u>
Total Property and Equipment	88,053	55,045
Less: Accumulated Depreciation	<u>40,238</u>	<u>(34,090)</u>
Net Property and Equipment	47,815	20,955
Other Non-Current Assets		
Promises to Give	<u>-</u>	<u>25,000</u>
Total Assets	<u>\$ 107,091</u>	<u>\$ 133,264</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts Payable	\$ 73,925	\$ 6,716
Notes Payable	14,000	-
Accrued Payroll Taxes	<u>11,754</u>	<u>3,883</u>
Total Current Liabilities	99,679	10,599
Net Assets - Restricted	<u>7,412</u>	<u>122,665</u>
Total Liabilities and Net Assets	<u>\$ 107,091</u>	<u>\$ 133,264</u>

See Accompanying Notes to Financial Statements

ALTERNATIVES IN MOTION

Comparative Statement of Activities and Functional Expenses For the Years Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
UNRESTRICTED NET ASSETS		
Net Assets Released from Restrictions	\$ 375,132	\$ 423,554
Expenses		
Program Expenses		
Chairs	221,716	281,816
Salaries	33,399	35,000
Payroll Taxes	2,308	2,886
Health Insurance	3,265	2,640
Management and General		
Salaries	59,066	56,800
Payroll Taxes	4,271	4,708
Health Insurance	3,264	2,640
Office Supplies and Postage	3,423	2,741
Computer Expense	3,075	2,710
Office Rent	15,425	9,095
Other Professional Services	2,540	4,130
Utilities and Phone	3,132	2,121
Insurance	455	350
Dues and Subscriptions	249	152
Repairs and Maintenance	-	300
Travel	26	729
Advertising	75	175
Depreciation	9,685	8,853
Miscellaneous	978	1,789
Fund Raising	<u>4,693</u>	<u>3,919</u>
Total Expenses	<u>371,595</u>	<u>423,554</u>
Loss on Sale of Fixed Asset	3,537	-
Total Expenses and Losses	<u>375,132</u>	<u>423,554</u>
Increase (Decrease) in Unrestricted Net Assets	-	-
 TEMPORARILY RESTRICTED NET ASSETS		
Support and Revenue		
Donations		
Cash	120,356	207,673
In-Kind	139,052	170,820
Gain from Sale of Investments	-	3,326
Interest Income <u>471</u>	<u>1,515</u>	
Total Temporarily Restricted Support and Revenue	259,879	383,334
Net Assets Released from Restrictions	<u>(375,132)</u>	<u>(423,554)</u>
Increase (Decrease) in Temporarily Restricted Assets	<u>(115,253)</u>	<u>(40,220)</u>
Increase (Decrease) in Net Assets	(115,253)	(40,220)
Net Assets at Beginning of Year	<u>122,665</u>	<u>162,885</u>
Net Assets at End of Year	<u>\$ 7,412</u>	<u>\$ 122,665</u>

See Accompanying Notes to Financial Statements

ALTERNATIVES IN MOTION

Statement of Cash Flows For the Year Ended December 31, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Assets	\$ (115,253)	\$ (40,220)
Adjustments to Reconcile the Increase in Assets to Net Cash Flows from Operating Activities		
(Increase)Decrease in Investments	4	24,086
Depreciation	9,684	8,853
Loss on Sale of Fixed Assets	3,537	-
(Increase)Decrease in Promises to Give	25,000	25,000
Decrease in Inventory	4,126	2,994
Increase(Decrease) in Accounts Payable	67,208	(15,847)
Increase (Decrease) in Notes Payable	14,000	-
(Decrease) in Accrued Payroll Taxes	<u>7,870</u>	<u>(268)</u>
Total Adjustments	<u>131,429</u>	<u>44,818</u>
Net Cash Provided(Used) by Operating Activities	16,176	4,598
Cash Flows from Investing Activities		
Purchase of Equipment	<u>(40,083)</u>	<u>(629)</u>
Net Increase(Decrease) in Cash	(23,907)	3,969
Beginning Cash Balance	<u>42,088</u>	<u>38,119</u>
Ending Cash Balance	<u>\$ 18,181</u>	<u>\$ 42,088</u>

See Accompanying Notes to Financial Statements

ALTERNATIVES IN MOTION

Notes to the Financial Statements
December 31, 2001

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 2001 and 2000, the organization provided assistance to fifty three and one hundred eight 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.

Notes to the Financial Statements (Continued)

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.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when some stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

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 \$18,181 on December 31, 2001 and \$12,663 on December 31, 2000. These deposits were held in Alternatives in Motion's name and were fully covered by federal depository insurance.

NOTE D PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decrease 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. Alternatives in Motion has an unconditional promise to give from the Dogwood Foundation in the amount of \$25,000 which is to be received in installments over the next year.

Notes to the Financial Statements (Continued)

NOTE E 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.

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 F 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 G CASH FLOW INFORMATION

Alternatives in Motion had noncash transactions of \$15,425 for donated rent, \$114,406 in donated wheelchairs, parts, and supplies, \$355 in donated supplies, and \$2,050 in donated services for remodeling. These items were reported in the statement of activities and functional expenses as In-Kind Donations with a corresponding expense also recorded. 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 H 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 at December 31, 2001 is \$14,000.

Notes to the Financial Statements (Continued)

NOTE I 403(b) PLAN

Alternatives in Motion established a 403(b) Plan in order to provide retirement benefits to its employees. All full time employees over the age of 18 are eligible to participate upon employment. The plan allows eligible employees the opportunity to make pre-tax salary reduction contributions.