

ALTERNATIVES IN MOTION

FINANCIAL STATEMENTS

DECEMBER 31, 2003

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April 27, 2004

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, 2003, 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.

Hendon & Slate, P.C.
Certified Public Accountants

ALTERNATIVES IN MOTION

Comparative Statement of Financial Position December 31, 2003 and 2002

	Assets	
	2003	2002
	<u>Reviewed</u>	<u>Compiled</u>
Current Assets		
Fifth Third - Checking	\$ 9,761	\$ 10,290
Macatawa Bank	-	121
Advances	1,820	1,820
Inventory	<u>23,450</u>	<u>-</u>
Total Current Assets	35,031	12,231
Property and Equipment		
Equipment	83,500	50,516
Leasehold Improvements	17,590	17,590
Furniture and Fixtures	22,493	22,493
Less: Accumulated Depreciation	<u>(63,528)</u>	<u>(53,665)</u>
Net Property and Equipment	<u>60,055</u>	<u>36,934</u>
Total Assets	<u>\$ 95,086</u>	<u>\$ 49,165</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 24,228	\$ 18,348
FICA/Federal W/H Payable	3,372	3,560
MI W/H Payable	776	720
GR W/H Payable	111	67
Line of Credit	23,675	17,829
Current Portion of Long-Term Debt	<u>2,608</u>	<u>-</u>
Total Current Liabilities	54,770	40,524
Long-Term Liabilities		
Dell Lease	1,294	-
Dell Lease	2,562	-
Less: Current Portion	<u>(2,608)</u>	<u>-</u>
Total Long-Term Liabilities	<u>1,248</u>	<u>-</u>
Total Liabilities	56,018	40,524
Net Assets	<u>39,068</u>	<u>8,641</u>
Total Liabilities and Net Assets	<u>\$ 95,086</u>	<u>\$ 49,165</u>

See Accompanying Notes and Accountants' Report

ALTERNATIVES IN MOTION

Comparative Statement of Activities and Functional Expenses For the Years Ended December 31, 2003 and 2002

	2003	%	2002	%
	<u>Reviewed</u>	<u>%</u>	<u>Compiled</u>	<u>%</u>
UNRESTRICTED NET ASSETS				
Net Assets Released from Restrictions	\$ 246,555		\$ 223,586	
Expenses				
Program Expenses				
Chairs	33,820	12.21	37,991	16.81
Salaries	33,538	12.11	33,400	14.78
Payroll Taxes	2,565	.93	2,308	1.02
Health Insurance	3,702	1.34	3,265	1.45
Management and General				
Salaries	54,344	19.62	63,138	27.94
Payroll Taxes	4,157	1.50	5,593	2.48
Health Insurance	6,000	2.17	7,272	3.22
Office Rent-in-Kind	17,535	6.33	17,535	7.76
Office Supplies	3,166	1.14	2,083	0.92
Web Site	1,500	.54	5,695	2.52
Computer Expense	359	0.13	4,658	2.06
Postage	1,384	0.50	1,206	0.53
Professional Services	3,800	1.37	5,690	2.52
Insurance	450	0.16	608	0.27
Photography	402	0.15	211	0.09
Repairs and Maintenance	91	0.03	-	-
Utilities and Telephone	3,618	1.31	5,531	2.45
Advertising	3,980	1.44	2,362	1.05
Travel	3,088	1.11	2,904	1.29
Meals	237	0.09	752	0.33
Dues and Subscriptions	137	0.05	137	0.06
Bank Fees	158	0.06	554	0.25
Depreciation	11,281	4.07	13,428	5.94
Interest 1,190	0.43	1,290	0.57	
Miscellaneous	753	0.27	360	0.16
Fund Raising				
Salaries	35,000	12.64	-	-
Payroll Taxes	2,678	.97	-	-
Health Insurance	3,865	1.40	-	-
Web Site	1,819	.66	-	-
Grant Writing	310	.10	-	-
Fund Raising	<u>11,602</u>	<u>4.18</u>	<u>6,336</u>	<u>2.80</u>
Total Expenses	246,529	89.01	224,307	99.27
(Gain) Loss on Sale of Fixed Asset	26	0.01	(721)	(0.32)
Total Expenses and Losses	<u>246,555</u>	<u>89.02</u>	<u>223,586</u>	<u>98.96</u>
Increase (Decrease) in Unrestricted Net Assets	-	-	-	-

See Accompanying Notes and Accountants' Report

Comparative Statement of Activities and Functional Expenses (Continued)

	<u>2003</u> <u>Reviewed</u>	<u>%</u>	<u>2002</u> <u>Compiled</u>	<u>%</u>
TEMPORARILY RESTRICTED NET ASSETS				
Support and Revenue				
Donations				
Cash Donations	\$ 201,596	72.78	\$ 190,675	84.39
In-Kind Donations	75,383	27.22	35,272	15.61
Interest Income	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>
Total Temporarily Restricted Support and Revenue	276,979	100.00	225,948	100.00
Net Assets Released from Restrictions	<u>246,555</u>	<u>89.02</u>	<u>223,586</u>	<u>98.96</u>
Increase (Decrease) in Net Assets	30,424	10.98	2,362	1.05
Net Assets at Beginning of Year	<u>8,644</u>	<u>3.12</u>	<u>6,282</u>	<u>2.78</u>
Net Assets at End of Year	<u>\$ 39,068</u>	<u>14.11</u>	<u>\$ 8,644</u>	<u>3.82</u>

See Accompanying Notes and Accountants' Report

ALTERNATIVES IN MOTION

Statement of Cash Flows For the Year Ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash Flows from Operating Activities		
Net Income (Loss)	\$ 30,424	\$ 2,362
Adjustments to Reconcile Net Income (Loss) to Net Cash provided by (used in) operating activities:		
Depreciation and Amortization	11,281	13,428
Losses (Gains) on Sales of Fixed Assets	26	(721)
Decrease (Increase in Operating Assets:		
Accounts Receivable	-	25,000
Inventory	(23,450)	14,300
Other	-	(25)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	5,880	(55,576)
Accrued Liabilities	<u>(84)</u>	<u>(8,545)</u>
Net Cash Provided By (Used In) Operating Activities	24,077	(9,777)
Cash Flows from Investing Activities		
Capital Expenditures	(34,429)	(2,545)
Proceeds from Sale of Fixed Assets	<u>-</u>	<u>721</u>
Net Cash Provided By (Used In) Investing Activities	(34,429)	(1,824)
Cash Flows from Financing Activities		
Notes Payable Borrowings	29,044	10,660
Notes Payable Repayments	<u>(19,342)</u>	<u>(6,831)</u>
Net Cash Provided By (Used In) Financing Activities	<u>9,702</u>	<u>3,829</u>
Net Increase (Decrease) in Cash	(650)	(7,772)
Cash at Beginning of Period	<u>10,411</u>	<u>18,183</u>
Cash at End of Period	<u><u>\$ 9,761</u></u>	<u><u>\$ 10,411</u></u>

See Accompanying Notes and Accountants' Report

ALTERNATIVES IN MOTION

Notes to the Financial Statements
December 31, 2003

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 2003 and 2002, the organization provided assistance to forty one and thirty 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.

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 \$9,761 on December 31, 2003 and \$10,411 on December 31, 2002. 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 did not have any promises to give as of December 31, 2003 or 2002.

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 \$17,535 for donated rent, \$28,350 in donated wheelchairs, parts, and supplies, \$23,238 in donated web site services and \$6,260 in donated equipment. 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 federal income tax paid or accrued in either fiscal year, and interest paid was \$1,190 and \$1,290 for December 31, 2003 and 2002, respectively.

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, 2003 and 2002 is \$23,675 and \$17,829, respectively.