

NATIONAL INCLUSION PROJECT, INC.

FINANCIAL STATEMENTS
(Unaudited)

DECEMBER 31, 2018 AND 2017

NATIONAL INCLUSION PROJECT, INC.

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MANAGEMENT'S REPORT

To the Board of Directors
National Inclusion Project, Inc.
Raleigh, North Carolina

Enclosed are the unaudited financial statements of National Inclusion Project, Inc. which include the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to 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.

We believe the accompanying financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

May 1, 2019

National Inclusion Project, Inc.
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 348,302	\$ 1,341,091
Investments	1,200,000	221,075
Accounts receivable	8,912	-
Employee receivable	170	-
Prepaid expenses	1,850	1,800
	<u>1,559,234</u>	<u>1,563,966</u>
TOTAL ASSETS		
	<u>1,559,234</u>	<u>1,563,966</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	12,638	5,505
	<u>12,638</u>	<u>5,505</u>
NET ASSETS		
Unrestricted	1,546,596	1,558,461
	<u>1,546,596</u>	<u>1,558,461</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,559,234</u>	<u>\$ 1,563,966</u>

See Notes to the Financial Statements.

National Inclusion Project, Inc.
Statements of Activities
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES AND GAINS		
Individual contributions	\$ 481,909	\$ 375,536
Business and foundation contributions	92,323	138,144
Investment income and other	4,167	19,868
	<u>578,399</u>	<u>533,548</u>
EXPENSES		
Program expenses	466,372	430,941
Fundraising	44,585	42,356
Management and general	79,307	82,077
	<u>590,264</u>	<u>555,374</u>
DEFICIENCY OF REVENUES OVER EXPENSES	(11,865)	(21,826)
NET ASSETS, BEGINNING OF YEAR	<u>1,558,461</u>	<u>1,580,287</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,546,596</u></u>	<u><u>\$ 1,558,461</u></u>

See Notes to the Financial Statements.

National Inclusion Project, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	\$ (11,865)	\$ (21,826)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Changes in working capital components:		
Accounts receivable	(8,912)	
Employee receivable	(170)	
Prepaid expenses	(50)	(1,200)
Accounts payable and accrued expenses	7,133	(2,400)
	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(13,864)</u>	<u>(25,426)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment	(1,200,000)	(221,075)
Investment maturities	221,075	-
	<u> </u>	<u> </u>
Net cash used in investing activities	<u>(978,925)</u>	<u>(221,075)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(992,789)	(246,501)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,341,091</u>	<u>1,587,592</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 348,302</u></u>	<u><u>\$ 1,341,091</u></u>

See Notes to the Financial Statements.

National Inclusion Project, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

National Inclusion Project, Inc. (Project) (a nonprofit organization) was established for the purpose of providing services and financial assistance to children and young adults with developmental disabilities and assist with the integration of such individuals into environments with those of a similar age without such disabilities. The Project aims to raise the awareness of the general public regarding the diversity of individuals with these disabilities and the impact such individuals can have on society. The Project works with the disability, education, entertainment and media communities and recognizes those who commit to improving the public perception of the individuals with disabilities.

The Project is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, donors may deduct, for federal income tax purposes, contributions made to the Project. The Project's tax filings are subject to audit by various taxing authorities. As of December 31, 2018, the Project's federal and state income tax returns for 2015, 2016, 2017 and 2018 remained open to examination by the taxing authorities.

A summary of the Project's significant accounting policies follows:

Basis of presentation

The financial statements of the Project are prepared on the accrual basis of accounting.

Accounting estimates

The preparation of financial statements 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.

Cash and cash equivalents

Certificates of deposit with initial maturities of 3 months or less are generally considered cash equivalents.

National Inclusion Project, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

Investments

Investments are recorded at fair value. Investment income includes interest and dividends and is recorded when earned. Realized gains and losses from investment transactions and changes in fair value (unrealized gains and losses) of investments are recorded as incurred.

Fair Value Measurement

Financial Accounting Standards Board Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.
- Level 2 - Inputs other than quoted prices included in Level 1 that observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability.

Prepaid expenses

Prepaid expenses represent advance payments for rent.

Accrued vacation and sick time

The Project provides to each full-time staff employee paid annual leave based upon one year's full time employment with the Project. Accrual of annual leave will commence upon the date of employment for each employee and will be based, on an annual basis, upon each individual's anniversary date with the Project. Annual leave will increase with the number of years employed by the Project as follows:

1-5 years - 10 days	Accrued at 1 day per month, Jan. - Oct.
5-12 years - 15 days	Accrued at 1.5 days per month Jan. - Oct.
12-21 years - 20 days	Accrued at 2 days per month Jan. - Oct.
21+ years - 25 days	Accrued at 2.5 days per month Jan. - Oct.

It is the policy of the Project to encourage each employee to utilize allotted annual leave during each individual's employment year. A maximum of five days, or 40 hours, may be carried over from one year to the next. The balance of earned but unused vacation time at December 31, 2018 is \$310.

National Inclusion Project, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

Sick leave may be accumulated up to a max of 60 days. At no time will compensation for any unused sick leave be made to an employee who is leaving employment so there is no accrual for sick time.

Classes of net assets

Unrestricted net assets are those currently available for the use of the Project under the direction of the Board of Directors. Restricted net assets are those assets donated specifically for a specified purpose. There were no restricted net assets at December 31, 2018 and 2017.

Revenue recognition

Contribution revenues are generally recognized when received in cash by the Project. There are no pledges receivable. In 2012, the Project was named as the beneficiary of an estate. The information about the valuation of the underlying assets of the estate is not available. Due to the uncertainty of this transaction, the Project only recognizes as revenue the amounts actually received in cash.

Subsequent events

Subsequent events have been evaluated through May 1, 2019 which is the date the financial statements were available to be issued. The review and evaluation revealed no new material events or transactions which would require an additional adjustment or disclosure in the accompanying financial statements.

NOTE 2 - NATURE OF PROGRAMS

Overview

The Project is proud to partner with community organizations that are seeking to programmatically open doors for ALL children to learn, live, and play together. Through training, consulting, and funding, the Project meets organizations and helps them to implement quality inclusive programs that impact children and families in their communities.

Following is a summary of some of the major programs operated by the Project during 2018 and 2017:

Let's ALL Play

Let's ALL Play is an innovative, research-validated program model that brings an inclusive recreational experience to children with and without disabilities. Through training, staffing, and scholarships, Let's ALL Play gives children with disabilities the same experience as those without. Children with disabilities and their peers who are typically developing come together to participate

National Inclusion Project, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

in recreational activities such as swimming, arts and crafts, community service, physical fitness and more. The program model was developed by Project staff, partners, and inclusive leaders in the fields of education and recreation.

In a research study by the Center for Social Development and Education at the University of Massachusetts Boston of Let's ALL Play participants, 82% showed improvements in motor skills, 54% improvement in social skills, and 55% in self-esteem. Children with disabilities were also as likely to make new friends as their typical peers.

Accreditation

The development of quality standards to assist programs interested in providing meaningful inclusive options to their communities began in 2016 as a collaborative project between researchers, practitioners, and professionals. These standards will also serve as the foundation for an accreditation process offered by the National Inclusion Project. Activities in 2017 largely focused on collecting data through focus groups, surveys, and committee working sessions to assist with drafting, revising, and validating the standards. The next phase of the project in 2018 included the completion of quality standards, initial design of the accreditation process, and pilot testing of new Let's ALL Play training resources.

Other Programs/Awareness/Research

Champions Gala - Held annually, the Gala is the Project's largest event to raise awareness of inclusion and all that it has to offer for children across the country. The "State of the Project" address reviews achievements, celebrates successes and highlights goals. Individuals, group and corporate Champions of Inclusion are recognized as the Project honors leadership, commitment and passion to ensure that no one sits on the sidelines.

Power of Play Conference - Held annually, the conference provides a framework and resources for program providers to implement successful inclusion in their programs. The conference provides information that is beneficial for the program provider who is new to inclusion and the inclusion veteran who wants to do more and/or better to serve in an inclusive setting. Educators, parents, and program providers all benefit from the subjects covered and the networking opportunity with leaders in recreational and social inclusion.

NOTE 3 - CONTRIBUTED SERVICES

For the years ended December 31, 2018 and 2017, the Project received numerous contributed services. The Project received management and oversight from volunteers at no cost to the Project. Additional volunteers participate in fund raising and participate in Project functions at no cost to the Project. Many of the Project's activities are dependent on the services of volunteers. It is not

National Inclusion Project, Inc.
Notes to the Financial Statements
December 31, 2018 and 2017

possible for the Project to quantify these services and assign a value to them. Accordingly the accompanying financial statements do not reflect the value of the contributed services.

NOTE 4 - INVESTMENTS

The Project's investments measured at fair value as of December 31, 2018 are as follows:

Investment Type	Level 1	Level 2	Level 3	Total
Private placement investment	\$ —	\$ —	\$ 1,200,000	\$ 1,200,000
Total	\$ —	\$ —	\$ 1,200,000	\$ 1,200,000

Investment income consisted of the following for the year ended December 31, 2018:

Interest, dividends and realized gains	\$ 4,167
Total	\$ 4,167

The Project's investments measured at fair value as of December 31, 2017, are as follows:

Investment Type	Level 1	Level 2	Level 3	Total
Certificate of deposits (with maturities greater than 3 months)	\$ 199,908	\$ —	\$ —	\$ 199,908
Equity and other securities	21,167	—	—	21,167
Total	\$ 221,075	\$ —	\$ —	\$ 221,075

Investment income consisted of the following for the year ended December 31, 2017:

Interest and dividends	\$ 1,925
Net unrealized gains	353
Total	\$ 2,278

Investments at December 31, 2018 consist of a private placement and the fair value has been determined by correspondence with the counterparty. All 2017 investments are managed by an

National Inclusion Project, Inc.
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outside investment broker and all investment fair values have been provided by the investment broker.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

The Project maintains its cash and investment balances in several financial institutions located in Raleigh, North Carolina. These balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The amounts in excess of FDIC insurance coverage are zero at December 31, 2018 and approximately \$0.8 million at December 31, 2017.

National Inclusion Project, Inc.
Schedule of Expenses by Function
December 31, 2018

	Program expenses					Management and General	TOTAL
	Let's ALL Play/ Summer Camps	Accreditation Program	Other Grants	Programs/ Grants	Total Programs		
Salaries and related expenses	\$ 82,456	\$ 44,604	\$ 40,461	\$ 167,521	\$ 32,384	\$ 44,171	\$ 244,076
Grants, contributions and direct support	37,250	-	5,750	43,000	-	-	43,000
Professional services	3,416	129,674	17,404	150,494	6,745	22,296	179,535
Office expense and supplies	182	-	2,447	2,629	532	1,258	4,419
Outside computer services/Website	-	-	2,903	2,903	286	442	3,631
Occupancy expenses	4,163	1,980	1,872	8,015	1,492	1,893	11,400
Travel and transportation	7,913	13,350	8,398	29,661	648	311	30,620
Training, conferences and awareness	3,741	-	52,544	56,285	2,242	-	58,527
Postage, shipping and delivery	296	-	208	504	130	580	1,214
Printing and copying	-	-	2,325	2,325	53	171	2,549
Organizational expenses	-	-	3,035	3,035	73	8,185	11,293
Totals	\$ 139,417	\$ 189,608	\$ 137,347	\$ 466,372	\$ 44,585	\$ 79,307	\$ 590,264

National Inclusion Project, Inc.
Schedule of Expenses by Function
December 31, 2017

	Program expenses					Management and General	TOTAL
	Let's ALL Play/ Summer Camps	Accreditation Program	Other Programs/ Grants	Total Programs	Fundraising		
Salaries and related expenses	\$ 81,666	\$ 42,964	\$ 39,733	\$ 164,363	\$ 31,160	\$ 43,349	\$ 238,872
Grants, contributions and direct support	91,245	-	-	91,245	-	-	91,245
Professional services	2,281	48,421	10,224	60,926	3,764	21,322	86,012
Office expense and supplies	426	21	3,111	3,558	2,342	1,652	7,552
Outside computer services/Website	759	410	1,893	3,062	551	817	4,430
Occupancy expenses	4,052	2,190	1,423	7,665	1,423	1,751	10,839
Travel and transportation	15,355	3,965	24,111	43,431	382	694	44,507
Training, conferences and awareness	-	-	53,861	53,861	2,550	-	56,411
Postage, shipping and delivery	334	-	1,400	1,734	130	1,186	3,050
Printing and copying	-	-	401	401	54	17	472
Organizational expenses	-	-	695	695	-	11,289	11,984
Totals	\$ 196,118	\$ 97,971	\$ 136,852	\$ 430,941	\$ 42,356	\$ 82,077	\$ 555,374