

**NATIONAL INCLUSION PROJECT, INC.**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2019 and 2018**

**With Independent Auditor's Report**

**NATIONAL INCLUSION PROJECT, INC.**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of National Inclusion Project (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Inclusion Project as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 1 to the financial statements, during the year ended December 31, 2019, the Project has adjusted the presentation of its financial statements in order to comply with ASU 2016-014, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The changes required by the update have been applied retrospectively to all periods presented. Our opinions are not modified with respect to this matter.

A handwritten signature in black ink that reads "Roth & Company LLP". The signature is written in a cursive, flowing style.

Chicago, Illinois  
September 10, 2020

**National Inclusion Project, Inc.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 388,450	\$ 328,037
Accounts receivable	16,919	9,082
Short-term investments	22,943	20,265
Prepaid expenses	950	1,850
<b>Total current assets</b>	<u>429,262</u>	<u>359,234</u>
Noncurrent assets		
Long-term investment	<u>1,200,000</u>	<u>1,200,000</u>
<b>TOTAL ASSETS</b>	<u><u>1,629,262</u></u>	<u><u>1,559,234</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	<u>3,552</u>	<u>12,638</u>
<b>NET ASSETS</b>		
Without donor restrictions	<u>1,625,710</u>	<u>1,546,596</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,629,262</u></u>	<u><u>\$ 1,559,234</u></u>

*See accompanying notes to the financial statements.*

**National Inclusion Project, Inc.**  
**Statements of Activities**  
**For the Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Individual contributions	\$ 386,665	\$ 481,909
Business and foundation contributions	202,237	92,323
Investment income	<u>2,904</u>	<u>4,167</u>
<b>Total revenues</b>	<u>591,806</u>	<u>578,399</u>
<b>EXPENSES</b>		
Program expenses	365,249	466,372
Fundraising	51,308	44,585
Management and general	<u>96,135</u>	<u>79,307</u>
<b>Total expenses</b>	<u>512,692</u>	<u>590,264</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	79,114	(11,865)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,546,596</u>	<u>1,558,461</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,625,710</u></u>	<u><u>\$ 1,546,596</u></u>

*See accompanying notes to the financial statements.*

**National Inclusion Project, Inc.  
Statements of Functional Expenses  
For the Years Ended December 31, 2019 and 2018**

	2019							TOTAL
	Program expenses						Management and General	
	Let's ALL Play/ Summer Camps	Standards/ Accreditation Programs	Other Programs/ Grants	Total Program Expenses	Fundraising			
Salaries and related expenses	\$ 85,031	\$ 46,128	\$ 40,648	\$ 171,807	\$ 33,480	\$ 45,593	\$ 250,880	
Professional services	-	63,547	16,400	79,947	8,950	38,509	127,406	
Office expense and supplies	22	-	2,122	2,144	348	939	3,431	
Outside computer services/Website	-	-	1,365	1,365	253	358	1,976	
Occupancy expenses	3,618	1,724	1,034	6,376	1,034	1,420	8,830	
Travel and transportation	619	17,371	11,825	29,815	2,957	-	32,772	
Training, conferences and awareness	-	-	71,973	71,973	4,047	-	76,020	
Postage, shipping and delivery	-	-	356	356	185	643	1,184	
Printing and copying	-	-	-	-	54	121	175	
Organizational expenses	-	-	1,466	1,466	-	8,552	10,018	
<b>Totals</b>	<b>\$ 89,290</b>	<b>\$ 128,770</b>	<b>\$ 147,189</b>	<b>\$ 365,249</b>	<b>\$ 51,308</b>	<b>\$ 96,135</b>	<b>\$ 512,692</b>	
	2018							
	Program expenses						Management and General	
	Let's ALL Play/ Summer Camps	Accreditation Program	Other Programs/ Grants	Total Program Expenses	Fundraising			
	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	
<b>Totals</b>	<b>\$ 139,417</b>	<b>\$ 189,608</b>	<b>\$ 137,347</b>	<b>\$ 466,372</b>	<b>\$ 44,585</b>	<b>\$ 79,307</b>	<b>\$ 590,264</b>	

See accompanying notes to the financial statements.

**National Inclusion Project, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 79,114	\$ (11,865)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Change in assets and liabilities:		
Accounts receivable	(7,837)	(9,082)
Prepaid expenses	900	(50)
Accounts payable and accrued expenses	(9,086)	7,133
	<u>63,091</u>	<u>(13,864)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investment	-	(1,200,000)
Investment maturities	(2,678)	200,810
	<u>(2,678)</u>	<u>(999,190)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	60,413	(1,013,054)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>328,037</u>	<u>1,341,091</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 388,450</u>	<u>\$ 328,037</u>

*See accompanying notes to the financial statements.*



**National Inclusion Project, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

**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 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, 2019 and 2018, the Project's federal and state income tax returns for 2016, 2017, 2018 and 2019 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**  
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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*

The Project follows the Financial Accounting Standards Board's (FASB) Accounting Standards Codification Topic 820, *Fair Value Measurements and Disclosures*, which 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 are observable for the asset or liability, either directly or indirectly.
- Level 3 Unobservable inputs for the asset or liability. These inputs are only used when Level 1 or Level 2 inputs are not available.

Long-term investment

Long-term investment is accounted for under the cost method since the Project does not have the ability to exercise significant influence on the activities of the investee company.

Prepaid expenses

Prepaid expenses represent advance payments for rent.

Accrued vacation and sick time

For 2018 and prior, the Project provided to each full-time staff employee paid annual leave based upon one year's full time employment with the Project. Accrual of annual leave commenced upon the date of employment for each employee and was based, on an annual basis, upon each individual's anniversary date with the Project. Annual leave increased with the number of years employed by the Project as follows:

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

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It was 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 was \$310.

Effective January 1, 2019, the Project changed the vacation policy and vacation days are no longer accrued. Accordingly, there is no amount of earned but unused vacation time at December 31, 2019.

There is no accrual of sick time.

Classes of net assets

For financial reporting purposes, the Project's net assets are classified in the following net asset classifications based on the existence or absence of donor-imposed restrictions:

Net assets without donor restrictions are not subject to donor-imposed restriction and may be expended for any purpose in performing the primary objectives of the Project.

Net assets with donor restrictions are subject to donor-imposed restrictions on their use. The Project reports gifts of cash and other assets that are designated for future periods or restricted by the donor for specific purposes as net assets with donor restrictions. If satisfaction of donor restrictions occurs in the same year as revenue recognition, the amounts are reflected as net assets without donor restrictions. When a donor restriction is met in a subsequent year, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of December 31, 2019 and 2018, there were no net assets with donor restrictions.

Functional allocation of expense

The cost of providing the various programs, development (fundraising), and general and administrative services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The cost of salaries, wages and benefits for employees whose work benefits multiple functions is allocated between the functions proportional to time spent. Remaining costs are allocated to functions based on specific identification of the invoice or employee generating the cost.

Revenue recognition

Contribution revenues are generally recognized when received in cash by the Project. There are no pledges receivable as of December 31, 2019 and 2018. In 2012, the Project was named as the

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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.

Adoption of new accounting pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which was effective for the Project's financial statements for the year ended December 31, 2018. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The ASU has been applied retrospectively to all periods presented and the presentation in these financial statements has been adjusted accordingly.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)*, which was effective for the Project's financial statements for the year ended December 31, 2019. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange or contribution transactions and improve guidance to better distinguish between conditional and unconditional contributions. Accordingly, the implementation of this ASU has no impact on the Project's financial statements.

Subsequent events

Subsequent events have been evaluated through September 10, 2020 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.

**National Inclusion Project, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

Following is a summary of some of the major programs operated by the Project during 2019 and 2018:

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 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 (CSDE) 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.

Standards

In partnership with the CSDE, the Project developed and published Standards for Inclusive Recreation Programs (Standards). These Standards provide programs with a comprehensive picture of best practices in inclusion to provide the very best recreational opportunities to children with disabilities and their families. The Standards guide programs to enhance their understanding of social inclusion and implement practices that will improve and expand inclusive programming at all organizational levels.

The Standards serve as the basis of Project's accreditation program, which recognizes, promotes, and accredits successful inclusive recreation programs across the country. Inclusion experts, advocates, and leaders evaluate each program's alignment to the Standards, review documented evidence of implementation, and observe interactions and activities with children who have disabilities on-site. Earning the Project's seal of accreditation (Accreditation) tells families, community members, and other organizations that these programs are committed to the inclusion of children with disabilities in mission, in design, and in practice.

Accreditation

Accreditation is an educational tool based on Project's Standards for recreation organizations to thoroughly assess the extent to which they meet the social, emotional, physical, and learning needs of children with disabilities participating in their program. It offers a clearly defined methodology for achieving meaningful inclusion of ALL children. Earning the Accreditation

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**Notes to the Financial Statements**  
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tells families, community members, and other organizations that these programs provide opportunities that allow them to fully participate alongside all their peers.

Together, Project’s Standards and Accreditation exemplify our mission to equip organizations with the tools, strategies, and resources for providing gold standard inclusive programming for ALL children.

Other programs/awareness/research

Founders 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. Mission focused activities, program developments and special initiatives are celebrated and individual 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 - AVAILABILITY AND LIQUIDITY**

The Project regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The following represents the project’s financial assets available to meet general operating needs for the next upcoming fiscal year as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 388,450	\$ 328,037
Accounts receivable	16,919	9,082
Short-term investments	<u>22,943</u>	<u>20,265</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 428,312</u>	<u>\$ 357,384</u>

**National Inclusion Project, Inc.**  
**Notes to the Financial Statements**  
**December 31, 2019 and 2018**

**NOTE 4 - CONTRIBUTED SERVICES**

For the years ended December 31, 2019 and 2018, the Project received numerous contributed services. The Project received management and oversight from volunteers at no cost to the Project. Additional volunteers participate in fundraising 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 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 5 - INVESTMENTS**

The following tables set forth, by level within the fair value hierarchy, the Project's investment assets at fair value as of December 31, 2019 and 2018. As required, assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Project did not own any assets that required measurement using Level 2 and Level 3 inputs as of December 31, 2019 and 2018.

<u>Investment Type</u>	<u>Fair Value Measurements at 12/31/19 Using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity and other securities	\$ 22,943	\$ -	\$ -	\$ 22,943

  

<u>Investment Type</u>	<u>Fair Value Measurements at 12/31/18 Using</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Equity and other securities	\$ 20,265	\$ -	\$ -	\$ 20,265

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

	<u>2019</u>	<u>2018</u>
Interest, dividends, and unrealized gains	\$2,904	\$4,167

All investments are managed by an outside investment broker and all investment fair values have been provided by the investment broker.

Long-term investment

As of December 31, 2019, and 2018, the Project is a passive investor in 2602 LLC (Company) and does not have any influence on operational decisions. The purpose of the Company is to engage in the ownership, development and production of a holiday/Christmas themed variety show featuring the talents of Ruben Studdard and Clay Aiken. The investment is valued at \$1,200,000 as of December 31, 2019 and 2018.

**National Inclusion Project, Inc.**  
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**NOTE 6 - 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 \$79,668 and \$37,106 at December 31, 2019 and 2018, respectively.

**NOTE 7 - IMPACT OF COVID-19 PANDEMIC**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout the United States. As an organization that focuses heavily on in-person and/or on-site training and evaluation opportunities, the operations of the Project have been greatly impacted. Out of concern for the staff, volunteers, and partners, the Project transitioned to a telecommuting work environment for all full-time staff members and have focused operations on remote delivery mechanisms to achieve our mission. While the Project expects this matter to negatively impact its results of operations, cash flows, and financial position, the related impact cannot be reasonably estimated at this time.