

**NEPA INCLUSIVE**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

**NEPA INCLUSIVE**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
NEPA Inclusive  
Pittston, Pennsylvania

### **Report on the Financial Statements**

We have audited the accompanying financial statements of NEPA Inclusive (a nonprofit organization) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and changes in net assets and cash flows for the year 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 audit. 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 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 opinion.

# Zavada & Associates

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NEPA Inclusive as of June 30, 2017, and the results of activities and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Zavada & Associates*

Forty Fort, Pennsylvania  
August 29, 2017

**NEPA INCLUSIVE  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2017**

**ASSETS**

Cash and cash equivalents	\$ 2,078
Accounts receivable	61,169
Property and equipment, net	<u>119</u>
Total assets	<u>\$ 63,366</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 3,923
Payroll liabilities	14,022
Line of credit – Luzerne Bank	4,021
Other liabilities	<u>3,266</u>
Total liabilities	<u>25,232</u>

**NET ASSETS**

Unrestricted	<u>38,134</u>
Total net assets	<u>38,134</u>
Total liabilities and net assets	<u>\$ 63,366</u>

See accompanying notes to financial statements.

**NEPA INCLUSIVE  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2017**

**REVENUE:**

Direct public support	\$ 3,905
Supported employment	32,610
Habilitation services	161,280
Companion services	57,795
Vocational rehabilitation	63,746
Grant income	4,960
Miscellaneous revenue	<u>6,502</u>
Total revenue	<u>330,798</u>

**EXPENSES:**

Accounting	3,922
Advertising	5,121
Bank charges	502
Computer expense	9,053
Depreciation	223
Donations	1,000
Employee benefits	411
Equipment and supplies	3,786
Fundraising	1,485
Insurance	6,193
Interest	36
Incident management	2,277
Meeting	1,547
Office expense	2,493
OVR stipend	5,020
Payroll processing	1,521
Payroll taxes	23,990
Salaries and wages	236,346
Special events	1,354
Telephone and internet	1,675
Travel and training	<u>15,643</u>

Total expenses	<u>323,598</u>
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Increase (decrease) in net assets	7,200
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Net assets – unrestricted, beginning	<u>30,934</u>
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Net assets – unrestricted, ending	<u>\$ 38,134</u>
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See accompanying notes to financial statements.

**NEPA INCLUSIVE  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$ 7,200
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	223
(Increase) decrease in assets:	
Accounts receivable	(34,759)
Increase (decrease) in liabilities:	
Accounts payable	2,466
Payroll liabilities	7,922
Other liabilities	<u>3,266</u>
Net cash provided (used) by operating activities	<u>(13,682)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from draw on line of credit	<u>4,021</u>
Net cash provided (used) by financing activities	<u>4,021</u>
 Net increase (decrease) in cash	 (9,661)
 Cash at the beginning of the year	 <u>11,739</u>
 Cash at the end of the year	 <u>\$ 2,078</u>
 <b>SUPPLEMENTAL CASH FLOW DISCLOSURE:</b>	
Interest paid	<u>\$ 36</u>

See accompanying notes to financial statements.

**NEPA INCLUSIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1. NATURE OF OPERATIONS**

NEPA Inclusive (“the Organization”) is a not-for-profit corporation and was formed in December of 2013 to create and support inclusive and sustainable lives for people with disabilities.

The Organization is a provider of services for people with disabilities who have a ‘Waiver for Service’ through the Pennsylvania Office of Developmental Programs, Luzerne/Wyoming County Office of Mental Health and Developmental Services and Lackawanna County Office of Behavioral Health/Intellectual Disability/Early Intervention.

The Organization is also a vendor with the Pennsylvania Office of Vocational Rehabilitation for Pre-Employment Transition Services, Job Finding, Job Coaching, and Community Based Work Assessments.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

This summary of significant accounting policies of NEPA Inclusive is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Basis of Accounting and Financial Statement Presentation**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States applicable to not-for-profit organizations, principally Accounting Standards Codification (ASC) 958, Not-for-Profit Entities. Under ASC 958, the Organization is required to report information regarding its financial position and changes in financial position according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Organization currently has no restrictions on its net assets.

**Net Assets**

The accounts of the Organization are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by net asset class as follows:

**Unrestricted Net Assets**

These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**NEPA INCLUSIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:**

**Cash and Cash Equivalents**

The Organization maintains cash accounts in commercial banks. Accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2017, cash was comprised of a balance in one account which did not exceed FDIC limits.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization does not maintain an allowance as management deems it unnecessary based on current collection history.

**Property and Equipment**

Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method as follows:

Computers and Equipment	3 – 10 years
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Additions and betterments are capitalized while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes**

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code.

In accordance with the Financial Accounting Standards Board guidance on accounting for uncertainty in income taxes, management evaluated NEPA Inclusive's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provisions of this guidance.

**Date of Management Review**

Subsequent events were evaluated through August 29, 2017 which is the date the financial statements were available to be issued.

**NEPA INCLUSIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:**

**Recent Accounting Pronouncements**

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This ASU simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance and cash flows. The ASU is effective for annual financial statements issued for fiscal years beginning after December 15, 2017 with early application permitted. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

**NOTE 3. PROPERTY AND EQUIPMENT:**

Property and equipment at June 30 is as follows:

	<u>2017</u>
Computers and Equipment	\$ 1,427
Less: Accumulated depreciation	<u>(1,308)</u>
Property and equipment, net	<u>\$ 119</u>

**NOTE 4. DEMAND LINE OF CREDIT:**

The Organization has a \$20,000 line of credit with Luzerne National Bank, with variable interest rates (5.25% paid at June 30, 2017). Outstanding draws at June 30, 2017 were \$4,021.

The line is secured by all of the Organization's inventory and equipment and is payable on demand.

**NOTE 5. COMMITMENTS AND CONTINGENCIES:**

During the Organization's initial phase, they were provided \$5,000 in cash for start up cash flow requirements as well as office space in Scranton, PA at no charge by another Non-Profit Organization, the Advocacy Alliance.

The Advocacy Alliance was also to provide management and bookkeeping services and was to be compensated at 10% of billable revenue.

In April of 2015, the Advocacy Alliance ordered the Organization to vacate the Scranton premises and indicated the Organization owed them \$15,707 in cash advances but indicated that the Organization would not be charged for management and bookkeeping services.

In April of 2017, the Advocacy Alliance indicated there was a balance due of \$20,590, which included interest, management and bookkeeping services. The Advocacy Alliance later indicated interest would be waived.

The Organization contends that none of the balance is actually owed and in June of 2017 offered a voluntary contribution of \$2,000.

No response has been received from the Advocacy Alliance as of the date of these financial statements and the ultimate outcome of the dispute cannot be presently determined.