

**NEPA INCLUSIVE
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

NEPA INCLUSIVE
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JUNE 30, 2020

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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, 2020, and the related statements of activities and changes in net assets, functional expenses 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, 2020, and the results of activities and changes in its net assets, functional expenses 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
October 30, 2020

**NEPA INCLUSIVE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020**

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 569,490
Accounts receivable	<u>186,950</u>
Total current assets	<u>756,440</u>
Property and equipment, net	12,310
Other assets	<u>450</u>
Total assets	<u>\$ 769,200</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 13,805
Accrued payroll and taxes	53,992
Line of credit	9,901
Refundable advance payable	115,800
Deferred revenue	<u>316,604</u>
Total current liabilities	<u>510,102</u>
Total liabilities	<u>510,102</u>
Net Assets:	
Without donor restrictions	149,981
With donor restrictions	<u>109,117</u>
Total net assets	<u>259,098</u>
Total liabilities and net assets	<u>\$ 769,200</u>

See accompanying notes to financial statements.

**NEPA INCLUSIVE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020**

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Operating Activities:			
Direct public support	\$ 6,190	\$ -	\$ 6,190
Supported Employment	45,953	-	45,953
In-Home and Community Supports	1,350,332	-	1,350,332
Vocational Rehabilitation	91,672	-	91,672
OVR stipend reimbursement	8,016	-	8,016
Contributions and grants	-	128,000	128,000
Training income	-	-	-
All other revenue	213	-	213
Net assets released from restrictions	<u>18,883</u>	<u>(18,883)</u>	<u>-</u>
Total revenue and support	<u>1,521,259</u>	<u>109,117</u>	<u>1,630,376</u>
Expenses and losses:			
Program services:			
Supported Employment	42,583	-	42,583
In-Home and Community Supports	1,021,958	-	1,021,958
Vocational Rehabilitation	154,106	-	154,106
Supporting services:			
Management and general	<u>291,951</u>	<u>-</u>	<u>291,951</u>
Total expenses	<u>1,510,598</u>	<u>-</u>	<u>1,510,598</u>
Change in net assets	10,661	109,117	119,778
Net assets, beginning of year	<u>139,320</u>	<u>-</u>	<u>139,320</u>
Net assets, end of year	<u>\$ 149,981</u>	<u>\$ 109,117</u>	<u>\$ 259,098</u>

See accompanying notes to financial statements.

**NEPA INCLUSIVE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Supported Employment</u>	<u>In-Home and Community Supports</u>	<u>Vocational Rehabilitation</u>	<u>General</u>	<u>Total Expenses</u>
	\$	\$	\$	\$	\$
Client support expenses	191	4,581	-	-	4,772
Health record expense	36	858	-	149	1,043
Legal and professional	-	-	-	26,430	26,430
OVR stipends	-	-	8,897	-	8,897
Facilities & equipment	112	2,683	800	2,190	5,785
Maintenance & repairs	-	-	-	1,628	1,628
Rent, parking, utilities	45	1,079	-	21,437	22,561
Office expense	16	368	-	2,777	3,161
Dues & subscriptions	45	1,079	-	2,450	3,574
Licenses & registrations	-	-	-	15	15
Computers & printers	159	3,819	1,856	9,762	15,596
Printing & postage	11	271	-	3,643	3,925
Supplies	44	1,044	-	15,959	17,047
Telephone & telecommunications	459	11,023	149	7,282	18,913
Bank charges	-	9	-	29	38
Payroll processing	520	12,478	1,767	1,886	16,651
Special events	-	-	300	509	809
Advertising	21	512	-	7,783	8,316
Outside services	149	3,579	1,002	20,674	25,404
Auto expense	2,115	50,752	5,689	2,093	60,649
Background checks	78	1,878	550	2,846	5,352
Insurance	-	-	-	9,983	9,983
Training	307	7,366	2,719	900	11,292
Payroll tax expense	3,385	81,240	10,417	11,444	106,486
Employee benefits	1,041	24,972	7,344	15,500	48,857
Salaries & wages	33,765	810,369	111,975	118,783	1,074,892
Conferences & conventions	19	454	-	737	1,210
Travel & meetings	63	1,507	641	4,162	6,373
Depreciation expense	-	-	-	799	799
Interest expense	2	37	-	101	140
	<u>\$ 42,583</u>	<u>\$ 1,021,958</u>	<u>\$ 154,106</u>	<u>\$ 291,951</u>	<u>\$ 1,510,598</u>
			<u>\$ 154,106</u>		<u>\$ 1,218,647</u>

**NEPA INCLUSIVE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$ 119,778
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	799
(Increase) decrease in assets:	
Accounts receivable	(30,682)
Other assets	-
Increase (decrease) in liabilities:	
Accounts payable	(19,112)
Accrued payroll and taxes	15,605
Other liabilities	-
Refundable advance payable	115,800
Deferred revenue	<u>316,604</u>
Net cash provided (used) by operating activities	<u>518,792</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property & equipment	<u>(13,109)</u>
Net cash provided (used) by investing activities	<u>(13,109)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	10,000
Principal payments on line of credit	<u>(99)</u>
Net cash provided (used) by financing activities	<u>9,901</u>
Net increase (decrease) in cash	515,584
Cash at the beginning of the year	<u>53,906</u>
Cash at the end of the year	<u>\$ 569,490</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:	
Interest paid	<u>\$ 140</u>

See accompanying notes to financial statements.

**NEPA INCLUSIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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 Intellectual Disability Waiver Services through the Office of Developmental Programs (ODP) and a vendor through the Office of Vocational Rehabilitation (OVR) serving the counties of Berks, Bucks, Carbon, Columbia, Lackawanna, Luzerne, Monroe, and Wyoming.

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.

The Organization’s major programs are (1) supported employment which helps people find and keep the jobs they want, at local businesses, making at least the minimum wage and usually the same rate as anyone else in the same job. (2) In-Home and Community Supports which helps people at home and in their community offering companionship services, socialization, and participation in local activities. One on one support is also provided along with supported living either in their family home or their own home or apartment. (3) Vocational rehabilitation which offers job finding, coaching, training, and pre-employment skill assessment and career path identification for adults and high school students ages 14 and older.

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 Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018.

Under provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

**NEPA INCLUSIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

Net Assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Basis of Presentation - continued

There were donor restrictions of \$109,117 on net assets of the Organization at June 30, 2020.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update 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 Organization has adjusted the presentation of these statements accordingly.

**NEPA INCLUSIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program and supporting services. Such allocations are determined by management based on time and effort.

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.

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 the Organization'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.

**NEPA INCLUSIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued:

Date of Management Review

Subsequent events were evaluated through October 30, 2020 which is the date the financial statements were available to be issued.

In December 2019, a novel strain of coronavirus ("COVID-19") was reported to have surfaced in China. The World Health Organization has declared COVID-19 to constitute a "Public Health Emergency of International Concern" and characterized COVID-19 as a pandemic. The U.S. government has also implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. The spread of this virus has the potential to cause business disruption to the Organization beginning in March 2020, due to state government-imposed shutdowns of businesses and other results of the illness. While the Organization expects this matter may negatively impact its results, the extent of the impact of the COVID-19 on the Organization's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related travel advisories and restrictions and the impact of the COVID-19 on overall demand for the Organization's services, all of which are highly uncertain and cannot be predicted.

NOTE 3. PROPERTY AND EQUIPMENT:

Property and equipment at June 30 is as follows:

	<u>2020</u>
Computers and Equipment	\$ 14,536
Less: Accumulated depreciation	<u>(2,226)</u>
Property and equipment, net	<u>\$ 12,310</u>

NOTE 4. DEMAND LINE OF CREDIT:

The Organization has a \$70,000 line of credit with Luzerne National Bank, with variable interest rates (6% paid at June 30, 2020). Outstanding draws at June 30, 2020 were \$9,901 and were \$-0- at June 30, 2019.

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

NOTE 5. LIQUIDITY:

The Organization's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	\$ 569,490
Accounts receivable	\$ 186,950

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization, Inc. has a committed line of credit in the amount of \$70,000 available for use.

**NEPA INCLUSIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6. REFUNDABLE ADVANCE PAYABLE:

On May 4, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), from Northeast Bank (the "PPP Lender"), for an aggregate principal amount of \$115,800 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and commencing in December 2020 principal and interest payments will be required through the maturity date in May 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default.

NOTE 7. DEFERRED REVENUE:

During the second quarter of 2020, the Organization received \$316,604 in CARES Act funding from the Commonwealth of Pennsylvania's Department of Human Services to address unforeseen financial needs and risks created by the COVID-19 public health emergency. As of June 30, 2020, all of the funds were available to be spent and the Organization has until December 30, 2020 to expend the funds.

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions were available with the following restrictions as of June 30, 2020:

SMART Technology Resource Center (restricted for purpose) \$109,117.

NOTE 9. RESTRICTED CONTRIBUTIONS AND GRANTS:

On March 9, 2020, the Board of Directors of the All One Foundation approved a \$120,000 grant to the Organization. The purpose of the grant is to increase the independence and inclusion of people with autism and other disabilities using smart technology through the establishment of the SMART Technology Resource Center. The grant was approved for a period of 24 months ending March 19, 2022. As of June 30, 2020, \$10,883 was spent in accordance with the conditions of the grant.

During the second quarter of 2020, the Organization received \$4,000 from the Scranton Area Foundation. The purpose of the grant was to boost cash flow to pay for Covid-19 related expenditures. All of the funds were spent in accordance with the conditions of the grant as of June 30, 2020.

During the second quarter of 2020, the Organization received \$4,000 from the Luzerne Foundation. The purpose of the grant was to boost cash flow to pay for Covid-19 related expenditures. All of the funds were spent in accordance with the conditions of the grant as of June 30, 2020.