

EMBRACING OUR DIFFERENCES, INC.

Financial Statements

June 30, 2020

Menzel & Associates, CPAs, PA

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Embracing Our Differences, Inc.

We have audited the accompanying financial statements of Embracing Our Differences, Inc. (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.

Auditors' 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 of 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 auditors' 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.

Independent Auditors' Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Embracing Our Differences, Inc. as of June 30, 2020, and the 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.

Menzel & Associates, CPAs, PA

**Menzel & Associates, CPAs, PA
Sarasota, Florida
February 3, 2021**

**EMBRACING OUR DIFFERENCES, INC.
STATEMENT OF FINANCIAL POSITION**

JUNE 30, 2020

ASSETS

CURRENT ASSETS

Cash	\$ 550,141
Investments, at Fair Value	255,941
Promises to Give	6,625
Inventory	3,910
Prepaid Expenses	2,360
	<hr/>
TOTAL CURRENT ASSETS	818,977

PROPERTY & EQUIPMENT

Office Furniture and Equipment	11,706
Program Equipment	65,251
Accumulated Depreciation	(38,145)
	<hr/>
TOTAL PROPERTY & EQUIPMENT	38,812

TOTAL ASSETS **\$ 857,789**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Simple IRA Plan Payable	\$ 3,667
Accounts Payable	682
Paycheck Protection Loan	46,920
	<hr/>
TOTAL CURRENT LIABILITIES	51,269

NET ASSETS

Without Donor Restrictions	<hr/> 806,520
TOTAL NET ASSETS	<hr/> 806,520

TOTAL LIABILITIES AND NET ASSETS **\$ 857,789**

The accompanying notes are an integral part of these financial statements.

EMBRACING OUR DIFFERENCES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Sponsorships - Individual	\$ 414,490	\$ -	\$ 414,490
Contributions - In Kind	284,952	-	284,952
Foundation / Grants	127,316	217,222	344,538
Sponsorships - Corporate	69,045	-	69,045
Luncheon Revenue	20,740	-	20,740
Contributions - Under \$500	36,284	-	36,284
Other Income	675	-	675
Retail Income	2,269	-	2,269
	<hr/>	<hr/>	<hr/>
TOTAL PUBLIC SUPPORT AND REVENUE	955,771	217,222	1,172,993
Net Assets Released from Restrictions	217,222	(217,222)	-
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	1,172,993	-	1,172,993
EXPENSES			
Program Services	754,329	-	754,329
Management and General	96,722	-	96,722
Fund Raising	46,025	-	46,025
	<hr/>	<hr/>	<hr/>
TOTAL EXPENSES	897,076	-	897,076
OTHER INCOME (EXPENSE)			
Dividends & Interest	5,736	-	5,736
Loss on Disposal of Fixed Assets	(11,512)	-	(11,512)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER INCOME (EXPENSE)	(5,776)	-	(5,776)
CHANGE IN NET ASSETS	270,141	-	270,141
NET ASSETS, BEGINNING OF YEAR	536,379	-	536,379
	<hr/>	<hr/>	<hr/>
NET ASSETS, END OF YEAR	\$ 806,520	\$ -	\$ 806,520
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**EMBRACING OUR DIFFERENCES, INC.
STATEMENT OF FUNCTIONAL EXPENSES**

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total Expenses</u>
FUNCTIONAL EXPENSES				
Advertising and Marketing	\$ 89,076	\$ -	\$ 2,100	\$ 91,176
Art Competition Awards	6,000	-	-	6,000
Credit Card Processing	55	70	2,593	2,718
Depreciation	3,050	1,667	-	4,717
Dues and Subscriptions	778	561	1,393	2,732
Education Program	55,648	-	-	55,648
Employee Benefits	26,954	3,257	3,967	34,178
Events Expense	27,014	-	982	27,996
Exhibit Site Expense	215,880	-	-	215,880
Insurance	-	1,754	-	1,754
Local Travel	861	1,549	1,532	3,942
Meals and Entertainment	383	204	777	1,364
Merchandise For Sale	-	-	958	958
Office and Facilities	-	8,170	-	8,170
Office Supplies	-	3,558	-	3,558
Postage	662	540	3,078	4,280
Printing	36,587	762	2,734	40,083
Payroll Processing Fees	810	96	119	1,025
Payroll Taxes	13,858	3,103	1,923	18,884
Professional Fees	-	6,500	-	6,500
Salaries and Contract Services	227,022	61,265	20,014	308,301
School Bus Expense	27,658	-	-	27,658
Staff Training	60	46	162	268
Telephone and Internet	-	2,072	450	2,522
Website and Technology	21,973	1,548	3,243	26,764
TOTAL FUNCTIONAL EXPENSES	<u>\$ 754,329</u>	<u>\$ 96,722</u>	<u>\$ 46,025</u>	<u>\$ 897,076</u>

The accompanying notes are an integral part of these financial statements.

EMBRACING OUR DIFFERENCES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 270,141
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	4,717
Loss on Disposal of Fixed Assets	11,512
Changes in assets and liabilities: (Increase) decrease in:	
Accounts Receivable	4,690
Accounts Payable	(504)
Prepaid Expenses	(2,360)
Inventory	(3,910)
Increase (Decrease) in:	
Simple IRA Plan Payable	517
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	284,803

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Mutual Funds	(3,089)
Purchase of Fixed Assets	(36,899)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(39,988)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Paycheck Protection Loan	46,920
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	46,920

NET INCREASE (DECREASE) IN CASH	291,735
CASH - BEGINNING OF YEAR	258,406
CASH - END OF YEAR	\$ 550,141

The accompanying notes are an integral part of these financial statements.

EMBRACING OUR DIFFERENCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Embracing Our Differences, Inc. (the Organization), is a Florida nonprofit organization whose mission is to educate and inspire to create a better world through the transformative power of the arts. The Organization envisions a world that embraces diversity, respects differences and actively rejects hatred and prejudice.

The Organization's support comes primarily through individual donor contributions and corporate sponsors. The Organization's activities include an annual outdoor art exhibit, classroom curriculum for school children and educational seminars.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with US GAAP, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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. These net assets may be used at the discretion of the Organization's management and the board of directors.

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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions including unconditional promises to give, are recognized as revenues in the period when the conditions on which they depend are substantially met. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Unconditional promises to give were all payable in less than one year. Based on history and managements analysis no allowance was deemed necessary. All contributions are available for unrestricted use unless specifically restricted by the donor.

EMBRACING OUR DIFFERENCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – (CONTINUED)

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using the risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue in the year the promise is received. Conditional promises to give are not included as support until the conditions are substantially met. There were \$6,625 promises to give as of June 30, 2020.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or service. Costs common to multiple functions have been allocated among the various functions benefited on the basis of estimates of time and effort.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the lives of the assets ranging from five to fifteen years. The Organization capitalizes all asset purchases with a useful life of more than one year and a cost greater than \$500.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash

Cash for the purpose of these financial statements consists of cash held in a business checking account.

EMBRACING OUR DIFFERENCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 – (CONTINUED)

Donated Services and Facilities

The Organization receives donated services from a variety of unpaid volunteers, however these donated services are not reflected in the financial statements since the services do not require special skill nor meet the criteria for recognition of such volunteer efforts. The use of facilities are reflected in the financial statements at their fair value.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Income Tax Status

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organization files an exempt organization return in the U.S. federal jurisdiction. The federal returns for tax years 2015 and beyond remain subject to examination by the taxing authorities.

Investments

Investments are reported at their fair values. Realized and unrealized appreciation and depreciation on investments are included in investment income (loss) on the Statement of Activities. The Organization has an investment policy with an objective to have the assets invested in highly liquid, limited duration investment grade fixed income funds.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and Equipment

Property and equipment are stated at their cost at the date of acquisition or at their fair value at the date of contribution. Property and equipment in excess of \$500 is capitalized and depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Estimated Lives</u>	<u>Total Cost</u>
Office Furniture and Equipment	3 – 10 years	\$ 11,706
Program Equipment	5 – 10 years	65,251
Less: Accumulated Depreciation		<u>(38,145)</u>
Net Property and Equipment		<u>\$ 38,812</u>

EMBRACING OUR DIFFERENCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 – COMMUNITY FOUNDATION OF SARASOTA COUNTY AND EdExploreSRQ

Funds held at the Community Foundation of Sarasota County for the support and benefit of Embracing Our Differences explorations through the EdExploreSRQ program. The amounts in each fund as of June 30, 2020 are as follows:

EdExploreSRQ for Embracing Our Differences – Current Fund	\$ (52)
EdExploreSRQ for Embracing Our Differences – Endowed Fund	<u>729,132</u>
Total	<u>\$ 729,080</u>

The Organization can apply for funds that are in the Current Fund according to the fund agreement. The Organization received \$26,109 from the Current Fund during the year ended June 30, 2020 which was included in Grants revenue.

The Endowed Fund is intended to be a permanent fund with 4.75% of the fund to be transferred to the Current Fund each school year beginning with the 2018 – 2019 school year.

The funds are for the benefit of Embracing Our Differences as long as the Organization participates in the EdExploreSRQ program.

If the EdExploreSRQ program no longer exists, the funds will be used to support educational experiences with Embracing Our Differences in accordance with the existing agreements.

NOTE 4 – TRADEMARK

Trademark

The Organization was granted a trademark for the Organization’s logo and the name, “Embracing Our Differences” for education services. The purpose of the trademark is to protect the identity of the program and the Organization’s rights as it is licensed to other communities.

NOTE 5 – FAIR VALUE MEASUREMENTS

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification 820, Fair Value Measurements and Disclosures (ASC 820) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in

EMBRACING OUR DIFFERENCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 – FAIR VALUE MEASUREMENTS (CONTINUED)

the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC 820, are used to measure fair value into three broad levels as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and hedge funds).

The following presents assets carried at fair value as of June 30, 2020 by ASC 820 valuation hierarchy (as described above).

Description	Level 1	Level 2	Level 3	Total
Fixed Income Mutual Fund	\$255,941	-	-	\$255,941
Total assets at fair value	<u>\$255,941</u>	-	-	<u>\$255,941</u>

NOTE 6 – LIQUIDITY AND AVAILABILITY

Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Financial assets:

Cash	\$ 550,141
Investments	255,941
Promises to Give	<u>6,625</u>
Total financial assets	<u>\$ 812,707</u>

EMBRACING OUR DIFFERENCES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 7 – NAME CHANGE

Name Change

The Organization changed its legal name on September 27, 2019 from Coexistence, Inc. to Embracing Our Differences, Inc.

NOTE 8 – RETIREMENT PLAN

Retirement Plan

The Organization maintains a Simple IRA plan for all eligible employees. The Organization contributes 3% of gross wages to the participating employees' Simple IRA accounts. The Organization's contributions totaled \$6,725 for the year ended June 30, 2020.

NOTE 9 – NOTE PAYABLE PPP

Note Payable

In April 2020, the Organization applied for and received funds of \$46,920 as part of the U.S. Small Business Administration ("SBA") Paycheck Protection ("PPP"). The proceeds from the loan were used to fund payroll and other specific costs outlined in the program for an eight week or twenty four week covered period after receipt of the proceeds. The Organization has applied for loan forgiveness as stated in the loan documents, with any unforgiven amounts to be converted to a term loan, payable over two years at 1% interest. Management expects the note payable to be fully forgiven during the 2021 fiscal year.

NOTE 10 – RISKS AND UNCERTAINTIES

Risks and Uncertainties

In March 2020, the United States and global financial markets experienced significant volatility resulting from uncertainty caused by the world-wide coronavirus pandemic (COVID-19). General economic uncertainties have arisen that may impact future cash flows and changes in net assets as a result of the pandemic. The related financial impact cannot be reasonably estimated at this time.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent Events

The Organization has evaluated its June 30, 2020 financial statements for subsequent events through February 3, 2021, the date on which the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. The Organization is not aware of any subsequent events which would require recognition or disclosure in the financial statements.