

# **THE NOBELITY PROJECT**

**Independent Auditor's Report**

**and**

**Financial Statements**

**James J. Morano  
Certified Public Accountant  
3300 Bee Cave Road, Suite 650-1316  
Austin, Texas 78746**

# James J. Morano

CERTIFIED PUBLIC ACCOUNTANT

3300 Bee Cave Road, Suite 650-1316, Austin, Texas 78746 ~ 512-517-4285

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Nobility Project

I have audited the accompanying financial statements of The Nobility Project (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, 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

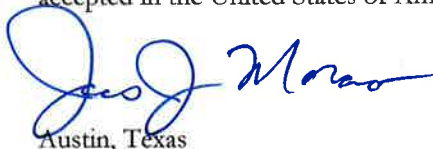
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Nobility Project as of December 31, 2015 and 2014, 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.



Austin, Texas  
August 4, 2016

**The Nobesity Project**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

	2015	2014
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 500,340	\$ 484,761
Contributions receivable	7,500	-
Prepaid expenses	31,669	22,212
<b>Total current assets</b>	539,509	506,973
<b>PROPERTY AND EQUIPMENT</b>		
Computer equipment	13,554	10,628
Production equipment	9,124	8,054
	22,678	18,682
Less accumulated depreciation	(11,906)	(8,074)
<b>Property and equipment, net</b>	10,772	10,608
<b>OTHER ASSETS</b>		
Security deposit	1,250	1,200
<b>Total other assets</b>	1,250	1,200
<b>TOTAL ASSETS</b>	<b>\$ 551,531</b>	<b>\$ 518,781</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 20,353	\$ 11,177
Accrued expenses	15,667	16,639
Deferred revenue	6,500	11,000
<b>Total current liabilities</b>	42,520	38,816
<b>Total liabilities</b>	42,520	38,816
<b>NET ASSETS</b>		
Unrestricted net assets		
Undesignated	82,767	128,166
Board designated	325,000	225,000
Total unrestricted net assets	407,767	353,166
Temporarily restricted net assets	101,244	126,799
<b>Total net assets</b>	<b>509,011</b>	<b>479,965</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 551,531</b>	<b>\$ 518,781</b>

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

**The Nobility Project**  
**Statements of Activities and Changes in Net Assets**  
**For the Years Ended December 31, 2015 and 2014**

	2015			2014		
	Temporarily		Total	Temporarily		Total
	Unrestricted	Restricted		Restricted	Restricted	
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>						
Contributions	\$ 55,541	\$ 55,342	\$ 110,883	\$ 43,936	\$ 199,256	\$ 243,192
Grants	17,600	24,067	41,667	25,000	2,399	27,399
Special events	380,400	192,844	573,244	402,453	147,660	550,113
Program related sales	1,658	740	2,398	5,917	400	6,317
Contributed goods and services	65,629	-	65,629	5,216	-	5,216
Interest and dividends	503	-	503	396	-	396
Net assets released from restrictions	298,548	(298,548)	-	486,631	(486,631)	-
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<b>819,879</b>	<b>(25,555)</b>	<b>794,324</b>	<b>969,549</b>	<b>(136,916)</b>	<b>832,633</b>
<b>EXPENSES</b>						
Program services	561,452	-	561,452	873,337	-	873,337
Supporting services						
Management and general	31,021	-	31,021	36,023	-	36,023
Fund raising	172,805	-	172,805	106,128	-	106,128
<b>TOTAL EXPENSES</b>	<b>765,278</b>	<b>-</b>	<b>765,278</b>	<b>1,015,488</b>	<b>-</b>	<b>1,015,488</b>
<b>CHANGE IN NET ASSETS</b>	<b>54,601</b>	<b>(25,555)</b>	<b>29,046</b>	<b>(45,939)</b>	<b>(136,916)</b>	<b>(182,855)</b>
<b>NET ASSETS, Beginning of year</b>	<b>353,166</b>	<b>126,799</b>	<b>479,965</b>	<b>399,105</b>	<b>263,715</b>	<b>662,820</b>
<b>NET ASSETS, End of year</b>	<b>\$ 407,767</b>	<b>\$ 101,244</b>	<b>\$ 509,011</b>	<b>\$ 353,166</b>	<b>\$ 126,799</b>	<b>\$ 479,965</b>

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

**The Nobelity Project**  
**Statements of Functional Expenses**  
**For the Years Ended December 31, 2015 and 2014**

	2015				2014			
	Supporting Services		Supporting Services		Supporting Services		Supporting Services	
	Program Services	Management and General	Fund Raising	Total	Program Services	Management and General	Fund Raising	Total
Compensation and related expenses								
Compensation	\$ 96,277	\$ 17,510	\$ 13,390	\$ 127,177	\$ 63,700	\$ 13,829	\$ 11,593	\$ 89,122
Payroll expenses	7,368	1,338	1,023	9,729	4,699	2,141	873	7,713
Contract services	103,645	18,848	14,413	136,906	68,399	15,970	12,466	96,835
Grants	284,378	1,685	19,025	305,088	536,984	4,933	8,687	550,604
Awards	61,358	-	-	61,358	160,782	-	180	160,962
Occupancy	31,774	-	-	31,774	16,737	250	-	16,987
Telecommunications	15,510	3,767	2,881	22,158	7,277	1,767	1,352	10,396
Facility and equipment rental	1,180	247	222	1,649	47	-	-	47
Printing and promotion	7,666	1,438	42,873	51,977	7,713	2,817	45,928	56,458
Postage and delivery	466	84	3,324	3,874	2,660	343	1,822	4,825
Supplies	5,467	79	514	6,060	4,508	883	47	5,438
Dues and subscriptions	4,290	1,457	4,233	9,980	13,196	3,985	6,744	23,925
Payroll processing	3,025	379	423	3,827	2,985	458	26	3,469
Travel	661	161	123	945	593	144	110	847
Conferences, meetings, and refreshments	24,761	898	4,417	30,076	43,164	376	8,700	52,240
Bank and merchant services	8,610	1,101	1,710	11,421	881	2,047	1,175	4,103
Computer service	968	203	12,460	13,631	2,671	835	11,923	15,429
Donated goods	3,197	-	42	3,239	2,342	327	1,587	4,256
Miscellaneous	-	-	65,629	65,629	52	-	5,164	5,216
Depreciation	1,298	315	241	1,854	-	604	-	604
	3,198	359	275	3,832	2,346	284	217	2,847
	<b>\$ 561,452</b>	<b>\$ 31,021</b>	<b>\$ 172,805</b>	<b>\$ 765,278</b>	<b>\$ 873,337</b>	<b>\$ 36,023</b>	<b>\$ 106,128</b>	<b>\$ 1,015,488</b>

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

**The Nobility Project**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 29,046	\$ (182,855)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	3,832	2,847
Increase (decrease) in cash from:		
Contributions receivable	(7,500)	165,500
Prepaid expenses	(9,457)	(16,308)
Security deposit	(50)	(1,200)
Accounts payable	9,176	6,638
Accrued expenses	(972)	3,384
Deferred revenue	(4,500)	(50,500)
<b>Net Cash Provided (Used) By Operating Activities</b>	<b>19,575</b>	<b>(72,494)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equipment	(3,996)	(4,853)
<b>Net Cash Used By Investing Activities</b>	<b>(3,996)</b>	<b>(4,853)</b>
<b>INCREASE (DECREASE) IN CASH</b>	15,579	(77,347)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	484,761	562,108
<b>CASH AND CASH EQUIVALENTS, End of year</b>	<b>\$ 500,340</b>	<b>\$ 484,761</b>
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

There were no non-cash investing and financing activities for the years ended 2015 and 2014.

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

**The Nobevity Project**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Activities**

The mission of The Nobevity Project (TNP) is to partner with communities to bridge gaps in education through information and infrastructure. By documenting and supporting education, health, and conservation initiatives around the world, we reach thousands of young people and their families every day.

The Nobevity Project was incorporated November 9, 2005 under the laws of the State of Texas in accordance with the provisions of the Texas Non-profit Corporation Act.

**Program Services**

*Nobevity In Action:* TNP works around the world, documenting stories of hope and progress, as well as, engaging in action projects that support improvements in environmental, education, and health conditions in communities in need. Currently, TNP has partners in the Kenya Schools Fund, the Roatan Bookmobile - Sandcastle Library, and the Permanent Eye Care Clinic – Seva Foundation.

*Nobevity On Screen:* TNP tells stories of hope and progress that support community action projects around the world by raising awareness on global issues and moving people to action. Collaborating with Nobel laureates and other inspiring leaders and community partners, TNP makes enlightening and motivating documentary films that explore pressing issues and present potential solutions.

*Nobevity In Schools:* TNP partners with schools and various educational groups through the Nobevity In Schools program. Empowering students with knowledge about pressing global concerns, the program provides inspiration and opportunity for student-centered social action.

**Basis of Accounting**

The summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management who is responsible for the integrity and objectivity of the financial statements. These accounting policies conform to the generally accepted accounting principles and have been consistently applied in the preparation of the accompanying financial statements.

**Income Taxes**

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 Nobility Project**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Financial Statement Presentation**

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted net assets*—Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets*—Net assets that are subject to donor-imposed stipulations that require the passage of time or the occurrence of a specific event.

*Permanently restricted net assets*—Net assets required to be maintained in perpetuity, with only the income to be used for the Board's activities, due to donor-imposed restrictions.

As permitted by FASB ASC 958, *Financial Statements of Not-for-Profit Organizations*, the Organization does not use fund accounting.

**Use of Estimates**

The preparation of financial statements in conformity with the United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets 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. Accordingly, actual results may differ from those estimates.

**Concentrations of Credit Risk**

Financial instruments which potentially subject the Organization to credit risk principally consist of cash and money market funds that may exceed federally insured limits of \$250,000 during the year.

TNP receives significant funding from various sources. Failure to procure this funding in the future could adversely affect its operations.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers cash and cash equivalents as cash and money market funds held in the bank with a maturity of three months or less.



**The Nobility Project**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Contributions Receivable**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses the allowance method to determine uncollectible contributions receivable. The allowance is based on prior years' experience and management's analysis of the contributions or specific promises made. Accounts are charged against the allowance when management deems them to be uncollectible. At year end, no allowance is considered necessary.

**Property and Equipment**

It is the Organization's policy to capitalize property and equipment over \$1,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over three to fifteen years. Maintenance and repairs are charged to expense as incurred.

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Joint Costs that Include Fund Raising Activities**

The costs of various administrative activities, including wages and salaries and rent expense, have been allocated to program and fund-raising activities.

**Deferred Revenue**

The Organization receives contributions each year in advance of its annual fund-raising event held near the beginning of the following year. The portion of the contributions received prior to the end of the year, which are applicable to the fund-raising event in the subsequent year, has been deferred and will be recognized as revenue during such period as the contributions are earned.

**The Nobility Project**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**Support and Revenue**

The Organization receives its support and revenue through contributions, grants, and a major annual fund-raising event, the Feed the Peace Awards at The Artists & Filmmakers Dinner. All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor or grantor. Under FASB ASC 958 contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Contributions and grants are reported as temporarily restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions and grants that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Restricted contributions by donors are recorded as permanently restricted net assets. Investment earnings on restricted contributions that are available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restrictions.

FASB ASC 958 requires contributions of donated noncash assets be recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

**NOTE 2 – DONATED GOODS AND SERVICES**

In-kind donations of goods and services that would have otherwise been purchased include fundraiser items for auction purposes only and total \$65,629 and \$5,216 in 2015 and 2014, respectively. These amounts were recorded in the statements of activities.

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization in its programs and fund-raising events. These services do not meet the criteria for recognition as contributed services in accordance with FASB ASC 958. The Organization received approximately 1,240 and 496 volunteer hours in 2015 and 2014, respectively.

**The Nobility Project**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

- Cash and cash equivalents, receivables, payables, and deferred revenue: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

The estimated fair values of the Organization’s financial instruments, none of which are held for trading purposes, are as follows:

	2015		2014	
	Amount	Fair Value (Level 1)	Carrying Amount	Fair Value (Level 1)
Financial assets:				
Cash and cash equivalents	\$ 500,340	\$ 500,340	\$ 484,761	\$ 484,761
Receivables	7,500	7,500	-	-
Financial liabilities:				
Payables	36,020	36,020	27,816	27,816
Deferred revenue	6,500	6,500	11,000	11,000

**NOTE 4 – LEASE AGREEMENTS**

The Organization had a verbal month-to-month operating lease agreement for utilities that terminated October 30, 2015. Total utility lease expenses for 2015 and 2014 were \$6,000 and \$6,000, respectively.

The Organization leases office space under a non-cancellable two-year operating lease which terminates September 30, 2016. There is no option to renew the lease.

Future minimum lease payments at December 31, 2015 through September 30, 2016 are \$11,250.

Total rent expense under the lease agreement for the years ended December 31, 2015 and 2014 was \$15,450 and \$4,012, respectively.

**NOTE 5 – UNRESTRICTED NET ASSETS – DESIGNATED BY BOARD**

As of December 31, unrestricted net assets designated by the board of \$325,000 and \$225,000 were set aside in 2015 and 2014, respectively, for management and fund-raising costs.

**The Nobevity Project**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
For Alamach Primary	\$ 5,629	\$ -
For Bastrop Reforestation Education and Planting Program	13,877	9,733
For Global Education Alliance	12,529	-
For Good X 10 film and partner projects	-	6,060
For incentive program--bikes and laptops	6,699	6,874
For Konyit primary classroom, library, and kitchen construction	-	43,035
For Mahiga primary classroom construction	-	1,421
For Mugaka classroom construction	8,065	-
For Mugunda maternity clinic	5,000	-
For Mweiga preschool	6,035	-
For Nairutia preschool	4,424	-
For River Likii	16,464	35,868
For scholarships	-	7,074
For the Roatan bookmobile conversion and staffing	22,522	14,751
For the Simbarra High School basketball court construction	-	518
For the Texas Libraries "Building Hope" Educational Edition Curriculum	-	1,465
	<u>\$ 101,244</u>	<u>\$ 126,799</u>

**NOTE 7 – RELATED PARTY**

The Organization entered into an arms-length annual consulting contract with another company in 2013 for \$50,000 to perform various program services. The owner of this company is the founding member of TNP. The contract automatically renews annually unless a performance review is requested by a member of the Board of Directors or after a period of three years since the last performance review. This contract was automatically renewed in 2014 for \$50,000. In 2015, the contract was renegotiated for \$62,400 annually and renewed for a two-year period ending December 31, 2016. Subsequent contracts may be renewed annually dependent on services and performance review by TNP Board of Directors. Accrued expenses related to this consulting contract include \$15,600 and \$12,500 as of December 31, 2015 and 2014, respectively.

**The Nobility Project**  
**Notes to Financial Statements**  
**December 31, 2015 and 2014**

**NOTE 8 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through August 4, 2016 the date which the financial statements were available to be issued.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2013, 2014, and 2015 are subject to examination by the IRS, generally for three years after it was filed.