

WELCOMING AMERICA, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

WELCOMING AMERICA, INC.

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BLAD & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Welcoming America, Inc.
Decatur, Georgia

We have audited the accompanying financial statements of Welcoming America, Inc., which comprise the statements of financial position, as of December 31, 2018 and 2017, 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Welcoming America, Inc. as of December 31, 2018 and 2017, 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.

Blad & Associates, P.C.

Dunwoody, Georgia
August 1, 2019

WELCOMING AMERICA, INC.
Statements of Financial Position

	December 31,	
	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 818,023	\$ 544,960
Receivables - contributions (Note 2)	975,567	474,939
Receivables - contracts	-	70,061
Prepaid expenses	48,872	18,112
	1,842,462	1,108,072
LEASEHOLD IMPROVEMENTS, NET OF ACCUMULATED DEPRECIATION OF \$1,190 AND \$782, RESPECTIVELY	9,013	9,421
OTHER ASSETS:		
Website costs, net of accumulated amortization of \$72,515 and \$52,656, respectively	11,548	31,406
Capitalized software, net of accumulated amortization of \$25,665 and \$15,701, respectively	10,855	20,819
Deposits	10,117	10,117
	\$ 1,883,995	\$ 1,179,835
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accruals	\$ 118,670	\$ 129,546
Deferred rent (Note 6)	10,029	7,316
	128,699	136,862
LONG-TERM LIABILITIES -		
Deferred rent (Note 6)	9,370	19,400
	138,069	156,262
NET ASSETS:		
Without donor restrictions		
Unrestricted (Deficit)	-	73,849
Board designated (Note 5)	63,506	2,858
	63,506	76,707
With donor restrictions (Note 4)		
Purpose restricted	1,002,420	496,866
Time restricted	680,000	450,000
	1,682,420	946,866
Total Net Assets	1,745,926	1,023,573
TOTAL LIABILITIES AND NET ASSETS	\$ 1,883,995	\$ 1,179,835

See accompanying summary of accounting policies and notes to financial statements.

WELCOMING AMERICA, INC.
Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 875,465	\$2,209,999	\$3,085,464
Contracts and fees	408,844	-	408,844
Donated services	12,256	-	12,256
Other income	906	-	906
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue before Transfers	1,297,471	2,209,999	3,507,470
Net Assets Released from restrictions due to satisfaction of donor-imposed requirements	<hr/>	<hr/>	<hr/>
	1,474,445	(1,474,445)	-
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	2,771,916	735,554	3,507,470
EXPENSES:			
Management and general	492,761	-	492,761
Fundraising	308,358	-	308,358
Program	1,983,998	-	1,983,998
	<hr/>	<hr/>	<hr/>
Total Expenses	2,785,117	-	2,785,117
	<hr/>	<hr/>	<hr/>
CHANGES IN NET ASSETS	(13,201)	735,554	722,353
NET ASSETS:			
Beginning of year	<hr/>	<hr/>	<hr/>
	76,707	946,866	1,023,573
	<hr/>	<hr/>	<hr/>
End of year	<u>\$ 63,506</u>	<u>\$1,682,420</u>	<u>\$1,745,926</u>

See accompanying summary of accounting policies and notes to financial statements.

WELCOMING AMERICA, INC.
Statement of Activities
For the Year Ended December 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 474,744	\$ 651,951	\$1,126,695
Contracts and fees	374,766	-	374,766
Donated services	82,395	-	82,395
Other income	<u>1,738</u>	<u>-</u>	<u>1,738</u>
Total Public Support and Revenue before Transfers	933,643	651,951	1,585,594
Net Assets Released from restrictions due to satisfaction of donor-imposed requirements	<u>2,100,727</u>	<u>(2,100,727)</u>	<u>-</u>
Total Public Support and Revenue	<u>3,034,370</u>	<u>(1,448,776)</u>	<u>1,585,594</u>
EXPENSES:			
Management and general	763,643	-	763,643
Fundraising	328,785	-	328,785
Program	<u>2,202,977</u>	<u>-</u>	<u>2,202,977</u>
Total Expenses	<u>3,295,405</u>	<u>-</u>	<u>3,295,405</u>
CHANGES IN NET ASSETS	(261,035)	(1,448,776)	(1,709,811)
NET ASSETS:			
Beginning of year	<u>337,742</u>	<u>2,395,642</u>	<u>2,733,384</u>
End of year (Note 8)	<u>\$ 76,707</u>	<u>\$ 946,866</u>	<u>\$1,023,573</u>

See accompanying summary of accounting policies and notes to financial statements.

WELCOMING AMERICA, INC.

Statement of Functional Expenses For the Year Ended December 31, 2018

	<u>Management and General</u>	<u>Fundraising</u>	<u>Program</u>	<u>Total</u>
Compensation and related costs	\$ 247,309	\$ 259,086	\$ 1,175,980	\$ 1,682,375
Outside services	116,129	2,470	297,110	415,709
Conference and meetings	13,296	405	165,046	178,747
Report, postage and printing	1,299	809	20,122	22,230
Advertising and promotion	-	-	4,494	4,494
Depreciation	6,207	3,764	20,259	30,230
Travel	30,814	5,260	121,241	157,315
Occupancy	33,779	16,425	60,157	110,361
Office related	5,717	1,726	4,764	12,207
Supplies	1,421	14,470	11,196	27,087
Communications	16,753	2,334	14,189	33,276
Insurance	1,257	60	165	1,482
Other	6,524	1,549	7,925	15,998
Donated Services	12,256	-	-	12,256
Grants to other organizations	-	-	81,350	81,350
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenses	<u>\$ 492,761</u>	<u>\$ 308,358</u>	<u>\$ 1,983,998</u>	<u>\$ 2,785,117</u>

See accompanying summary of accounting policies and notes to financial statements.

WELCOMING AMERICA, INC.

Statement of Functional Expenses For the Year Ended December 31, 2017

	<u>Management and General</u>	<u>Fundraising</u>	<u>Program</u>	<u>Total</u>
Compensation and related costs	\$461,716	\$279,226	\$1,260,209	\$2,001,151
Affiliate support	-	-	41,250	41,250
Outside services	77,066	3,384	356,654	437,104
Conference and meetings	32,866	-	287,740	320,606
Report, postage and printing	3,203	601	14,661	18,465
Advertising and promotion	477	-	1,013	1,490
Depreciation	6,728	4,155	20,451	31,334
Travel	39,685	12,640	79,619	131,944
Occupancy	25,847	15,428	93,590	134,865
Office related	1,772	1,039	4,649	7,460
Supplies	8,843	609	8,866	18,318
Communications	13,478	4,702	23,771	41,951
Insurance	302	187	824	1,313
Other	9,265	6,814	9,680	25,759
Donated services	82,395	-	-	82,395
Total expenses	<u>\$ 763,643</u>	<u>\$328,785</u>	<u>\$2,202,977</u>	<u>\$3,295,405</u>

See accompanying summary of accounting policies and notes to financial statements.

WELCOMING AMERICA, INC.

Statements of Cash Flows

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 722,353	\$ (1,709,811)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	30,230	31,334
(Increase) decrease in receivables	(430,567)	1,595,012
(Increase) decrease in prepaid expenses	(30,760)	(7,400)
(Increase) decrease in deposits	-	767
Increase (decrease) in accounts payable and accruals	(10,876)	(191)
Increase (decrease) in deferred rent	(7,317)	(4,677)
Net Cash Provided by (Used in) Operating Activities	<u>273,063</u>	<u>(94,966)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of branding, database and website development	-	(29,000)
Net Cash Provided by (Used in) Investing Activities	<u>-</u>	<u>(29,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	273,063	(123,966)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>544,960</u>	<u>668,926</u>
End of year	<u>\$ 818,023</u>	<u>\$ 544,960</u>

See accompanying summary of accounting policies and notes to financial statements.

Welcoming America, Inc.

Summary of Accounting Policies

ORGANIZATION

Welcoming America, Inc. (the "Organization"), formed in 2009, is a national, grassroots-driven collaborative that works to promote mutual respect and cooperation between foreign-born and U.S.-born Americans. The ultimate goal of Welcoming America is to create a welcoming atmosphere – community by community – in which immigrants are more likely to integrate into the social fabric of their adopted hometowns. The Organization takes a three-pronged approach to its mission, focusing on local leadership development, strategic communications, and public engagement.

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The net assets, revenue, support, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions into two classes:

Net assets without donor restrictions are currently available for purposes under the direction of the board, designated by the board for specific use (Note 1), or resources invested in furniture and equipment.

Net assets with donor restrictions are contributed with donor stipulations for specific operating purposes or programs, with time restrictions, or not currently available for use until commitments regarding their use have been fulfilled.

PUBLIC SUPPORT AND REVENUE RECOGNITION

Support is recognized in the year received at its fair market value. Contributions with donor-imposed restrictions are reported as restricted-support. The satisfaction or expiration of donor-imposed restrictions is recorded as a transfer from restricted to unrestricted net assets in the year the satisfaction or expiration occur.

Pledges to give payments in future years are recorded as support in the year the pledge is made.

EXPENSE RECOGNITION

All expenses are recognized in the statement of activities as decreases in unrestricted net assets.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Organization consist of cash in bank and shares of a money market fund. The Organization maintains its cash and cash equivalents with high credit, quality financial institutions, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Welcoming America, Inc.

Summary of Accounting Policies

(Continued)

USE OF ESTIMATES

The preparation of financial statements in accordance with GAAP requires reliance on accounting information based on estimates which may or may not come true in the near term. Significant estimates include the functional allocation of expenses.

INCOME TAXES

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are reflected in the accompanying financial statements. The Organization has been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

DONATED SERVICES AND MATERIALS

Donated professional services, which require specialized skills and are provided by individuals possessing those skills, are valued at market rates for those services as unrestricted support. Donated materials are reflected as non-cash contributions at their estimated fair market value on the date of receipt. The Organization received donated consulting services for the year ended December 31, 2018. During the year ended December 31, 2017, the Organization received advertising and consulting services.

FUNCTIONAL ALLOCATION OF EXPENSES

The Organization allocates its expenses on a functional basis among their various programs and support services. Expenses that can be identified with a specific program and support services are allocated directly according to their natural expenditure classification. Indirect expenses have been allocated based on salary expenditures and other criteria.

SUBSEQUENT EVENTS

Subsequent events have been evaluated through the audit report date, which is the date the financial statements were available to be issued.

LEASEHOLD IMPROVEMENTS

Leasehold improvements are stated at cost. Depreciation is computed using the straight-line method over 25 years, the estimated useful life of the leasehold improvements. Leasehold improvement acquisition costs and expenditures for repairs and maintenance or betterments that materially prolong the useful lives are capitalized.

WEB SITE COSTS

Web site costs incurred during the planning, training and operation stages are expensed as incurred. Web site application and infrastructure development costs are capitalized. Once the web site is ready for its intended use, the capitalized costs are amortized over the estimated useful life of the web site (3 years).

Welcoming America, Inc.

Summary of Accounting Policies

(Continued)

CAPITALIZED SOFTWARE COSTS

Capitalized software costs include the costs of purchased software and external consultants for implementation. Costs incurred during the planning, training and operation stages are expensed as incurred. Only costs directly related to software acquisition and implementation are capitalized. Once the software is ready for its intended use, capitalized costs are amortized over the estimated useful life of the software and implementation (4 years).

UNCERTAIN TAX POSITIONS

The Organization recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. As of December 31, 2018 and 2017, there are no known items which would result in a material accrual related to where the Organization has federal or state attributable tax positions. Generally, taxing authorities have from the later of the filing date or the extended due date to examine a tax filing.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued a new accounting standard, ASU 2014-09 (Topic 606), which impacts revenue recognition for exchange transactions. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2018. Early adoption is permitted subsequent to periods beginning after December 15, 2016. The Organization plans to adopt ASU 2014-09 (Topic 606) for the year beginning after December 15, 2018. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued a new accounting standard, ASU No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for fiscal years beginning after December 15, 2019. It is to be adopted using a modified retrospective approach. The FASB has proposed a two year deferral of the implementation of this standard. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

In June 2018, the FASB issued a new accounting standard, ASU 2018-18 (Topic 958), to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization plans to adopt ASU 2018-08 (Topic 958) for the year beginning after December 15, 2018. The Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

Welcoming America, Inc.

Notes to Financial Statements

NOTE 1 - CONCENTRATIONS

For the year December 31, 2017, the Organization received approximately \$554,000 of contribution revenue from two sources and approximately \$207,000 of contract revenue from a governmental agency.

For the year December 31, 2018, the Organization received \$1,312,000 of contribution revenue from one source.

At December 31, 2018, receivables include a total of \$795,000 owed from five donors. At December 31, 2017, receivables include a total of \$425,000 owed from two donors.

The Organization maintains bank accounts in financial institutions that at times may exceed federally insured limits.

NOTE 2 –CONTRIBUTIONS RECEIVABLE

Contributions receivable are stated at the amount management considers to be collectible. Management reviews outstanding receivables for collectability and has determined that all contributions receivable at December 31, 2018 and 2017 are collectible based on historical experience and, therefore, no allowance for uncollectible contributions receivable is considered necessary. Contributions receivable totaled \$975,567 and \$474,949 at December 31, 2018 and 2017, respectively.

NOTE 3 - CONTINGENCY

Grants and contributions often require the fulfillment of certain conditions as set forth in the terms of the related instrument. Failure to fulfill the conditions could result in the return of the funds to the grantor. Management represents that the Organization has complied with any such conditions. Although the return of funds is a possibility, management deems the contingency unlikely.

The Organization depends heavily on contributions to support ongoing operations. To the extent economic conditions negatively impact future contribution levels, the Organization's ability to continue at its current level of activity could be substantially impacted.

Welcoming America, Inc.

Notes to Financial Statements

(continued)

NOTE 4 – NET ASSETS WITH DONOR-IMPOSED RESTRICTIONS

Net assets with donor-imposed restrictions represent unexpended contributions in cash and receivables which were designated by the donors for the following:

	As of December 31,	
	2018	2017
Fiscal year 2018	\$ -	\$ 450,000
Fiscal year 2019	680,000	-
Welcoming Cities/Counties	653,496	370,975
Receiving communities	44,650	54,250
Safe Cities Initiative	-	37,500
Strategist in Residence	15,617	34,141
Certification	47,500	-
One Region	238,157	-
Staff Development	3,000	-
	<u>\$ 1,682,420</u>	<u>\$ 946,866</u>

NOTE 5 – BOARD RESTRICTED FUNDS

The Board of Directors has set aside \$300,000 in a separate bank account to be used as contingency. All disbursements from this account require board approval. To the extent this bank account contains donor restricted contributions, the board recognizes ultimately those funds have to be used in accordance with the applicable restrictions.

NOTE 6 - COMMITMENTS

The Organization leases certain satellite office facilities under month-to-month operating leases. In addition, the Organization leases its primary office space in Atlanta under an operating lease that extends through September 30, 2020. This office lease contains a period of free rent along with staged escalations. Rent expense for this lease has been recognized on a straight-line basis with deferred rent payable reflected in both current and long-term liabilities.

Welcoming America, Inc.

Notes to Financial Statements

(Concluded)

NOTE 6 – COMMITMENTS (concluded)

Total rental expense under all leases approximated \$110,361 and \$133,750 for the years ended December 31, 2018 and 2017, respectively. Minimum lease payments required under the Atlanta lease are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 110,900
2020	85,100
	<u>\$ 196,000</u>

NOTE 7 - RETIREMENT PLAN

In 2015, the Organization established a 401(k) Profit Sharing retirement plan. The employee can make contributions to the plan through a salary reduction agreement with the Organization, subject to certain maximum limitations. The Organization can make a discretionary matching contribution to the plan based on an annually established percentage. Additionally, the Organization can make discretionary profit sharing contributions to the plan which is allocated to participants based upon compensation levels. The plan is underwritten and maintained by an outside party. For the year ended December 31, 2018 and 2017, the Organization paid \$10,683 and \$29,450, respectively, in employer contributions and administration fees.

NOTE 8 – LIQUIDITY AND FUNDS AVAILABLE

The Organization has \$1,842,462 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consisting of cash and cash equivalents of \$818,023, receivables of \$975,567, and prepaid expenses of \$48,872. Receivables are expected to be collected within one year. Included in the above amounts is \$1,682,420 in donor restricted net assets; however, these funds are available to be used in the next year.

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. As discussed in Note 5, the Organization has set aside a bank account to be used as a contingency. These funds only become available as determined by the board of directors.