

WELCOMING AMERICA, INC.

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

WELCOMING AMERICA, INC.

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS:	
Statements of Financial Position	4
Statements of Activities	5-6
Statements of Functional Expenses	7-8
Statements of Cash Flows	9
Summary of Accounting Policies	10-13
Notes to Financial Statements	14-16



BLAD & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1832 INDEPENDENCE SQ., STE. A DUNWOODY, GA 30338
770-512-7600 WWW.BLADCPA.COM

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, 2017 and 2016, 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, 2017 and 2016, 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.

June 6, 2018
Dunwoody, Georgia

WELCOMING AMERICA, INC.
Statements of Financial Position

	As of September 30,	
	2017	2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 544,960	\$ 668,926
Receivables - contributions (Note 2)	474,939	1,625,000
Receivables - contracts	70,061	79,188
Prepaid expenses	18,112	10,711
	1,108,072	2,383,825
CONTRIBUTIONS RECEIVABLE (Note 2)	-	435,826
LEASEHOLD IMPROVEMENTS, NET OF ACCUMULATED DEPRECIATION OF \$782 AND \$374, RESPECTIVELY	9,421	9,829
OTHER ASSETS:		
Website costs, net of accumulated amortization of \$52,656 and \$28,917, respectively	31,406	36,146
Capitalized software, net of accumulated amortization of \$15,701 and \$8,516, respectively	20,819	18,004
Deposits	10,117	10,884
	1,179,835	2,894,514
TOTAL ASSETS	\$ 1,179,835	\$ 2,894,514
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accruals	\$ 129,546	\$ 129,737
Deferred rent (Note 6)	7,316	4,677
	136,862	179,177
LONG-TERM LIABILITIES -		
Deferred rent (Note 6)	19,400	26,716
	156,262	205,893
TOTAL LIABILITIES	156,262	205,893
CONTINGENCY AND COMMITMENTS (Notes 3 and 6)		
NET ASSETS:		
Unrestricted	73,849	35,906
Unrestricted - board designated (Note 5)	2,858	301,836
Temporarily restricted (Note 4)	946,866	2,395,642
	1,023,573	2,733,384
Total Net Assets	1,023,573	2,733,384
TOTAL LIABILITIES AND NET ASSETS	\$ 1,179,835	\$ 2,939,277

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>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</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	1,738	-	1,738
	<hr/>	<hr/>	<hr/>
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	<hr/>	<hr/>	<hr/>
	2,100,727	(2,100,727)	-
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	3,034,370	(1,448,776)	1,585,594
	<hr/>	<hr/>	<hr/>
EXPENSES:			
Management and general	763,643	-	763,643
Fundraising	328,785	-	328,785
Program	2,202,977	-	2,202,977
	<hr/>	<hr/>	<hr/>
Total Expenses	3,295,405	-	3,295,405
	<hr/>	<hr/>	<hr/>
CHANGES IN NET ASSETS	(261,035)	(1,448,776)	(1,709,811)
	<hr/>	<hr/>	<hr/>
NET ASSETS:			
Beginning of year	<hr/>	<hr/>	<hr/>
	337,742	2,395,642	2,733,384
	<hr/>	<hr/>	<hr/>
End of year	<hr/>	<hr/>	<hr/>
	\$ 76,707	\$ 946,866	\$ 1,023,573
	<hr/>	<hr/>	<hr/>

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

WELCOMING AMERICA, INC.
Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
PUBLIC SUPPORT AND REVENUE:			
Contributions	\$ 633,847	\$ 1,827,206	\$ 2,461,053
Contracts and fees	473,447	-	473,447
Donated services	16,080	-	16,080
Donated materials	1,647	-	1,647
Other income	1,360	-	1,360
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue before Transfers	1,126,381	1,827,206	2,953,587
Net Assets Released from restrictions due to satisfaction of donor-imposed requirements	<hr/>	<hr/>	<hr/>
	2,165,577	(2,165,577)	-
	<hr/>	<hr/>	<hr/>
Total Public Support and Revenue	3,291,958	(338,371)	2,953,587
	<hr/>	<hr/>	<hr/>
EXPENSES:			
Management and general	746,975	-	746,975
Fundraising	387,636	-	387,636
Program	2,176,246	-	2,176,246
	<hr/>	<hr/>	<hr/>
Total Expenses	3,310,857	-	3,310,857
	<hr/>	<hr/>	<hr/>
CHANGES IN NET ASSETS	(18,899)	(338,371)	(357,270)
	<hr/>	<hr/>	<hr/>
NET ASSETS:			
Beginning of year	<hr/>	<hr/>	<hr/>
	356,641	2,734,013	3,090,654
	<hr/>	<hr/>	<hr/>
End of year (Note 8)	<u>\$ 337,742</u>	<u>\$ 2,395,642</u>	<u>\$ 2,733,384</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
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
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.

Statement of Functional Expenses For the Year Ended December 31, 2016

	<u>Management and General</u>	<u>Fundraising</u>	<u>Program</u>	<u>Total</u>
Compensation and related costs	\$464,488	\$326,362	\$1,196,420	\$1,987,270
Affiliate support	-	-	83,110	83,110
Outside services	103,241	8,868	348,803	460,912
Conference and meetings	24,705	9	272,660	297,374
Report, postage and printing	6,134	1,855	45,945	53,934
Advertising and promotion	-	87	992	1,079
Depreciation	6,377	4,800	17,515	28,692
Travel	61,923	4,544	80,136	146,603
Occupancy	27,589	20,413	75,715	123,717
Office related	2,492	1,321	5,675	9,488
Supplies	13,219	999	4,047	18,265
Communications	14,950	11,062	41,030	67,042
Insurance	106	78	291	475
Other	21,751	7,238	3,907	32,896
	<u>21,751</u>	<u>7,238</u>	<u>3,907</u>	<u>32,896</u>
Total expenses	<u>\$ 746,975</u>	<u>\$387,636</u>	<u>\$2,176,246</u>	<u>\$3,310,857</u>

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

WELCOMING AMERICA, INC.
Statements of Cash Flows

	As of September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (1,709,811)	\$ (357,270)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	31,334	28,692
(Increase) decrease in receivables	1,595,012	432,012
(Increase) decrease in prepaid expenses	(7,400)	8,004
(Increase) decrease in deposits	767	(268)
Increase (decrease) in accounts payable and accruals	(191)	(23,750)
Increase (decrease) in deferred revenue	-	(25,000)
Increase (decrease) in deferred rent	(4,677)	(2,105)
	(94,966)	60,315
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of leasehold improvements	-	(10,203)
Purchases of branding, database and website development	(29,000)	-
	(29,000)	(10,203)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(123,966)	50,112
CASH AND CASH EQUIVALENTS:		
Beginning of year	668,926	618,814
End of year	\$ 544,960	\$ 668,926

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.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Organization's net assets, revenue, support and expenses are classified based on the existence or absence of donor-imposed restrictions into three classes: permanently restricted, temporarily restricted and unrestricted net assets.

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.

As of December 31, 2017, the Organization has received a total \$102,000 in contributions contingent upon certain future events. These contributions have not been recognized as revenue as of December 31, 2017.

EXPENSE RECOGNITION

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

STATEMENT OF CASH FLOWS

Cash and cash equivalents include all highly liquid temporary investments with a maturity of three months or less. The Organization made no interest or income tax payments in the years ended December 31, 2017 and 2016.

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 advertising and consulting services for the year ended December 31, 2017. During the year ended December 31, 2016, the Organization received professional coaching services 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.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments are receivables and accounts payable. The recorded value of accounts payable approximate their fair value based on their short term nature. Contribution receivables are estimated by discounting the future cash flows using current rates and are carried at the estimated collectible amount.

SUBSEQUENT EVENTS

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

Welcoming America, Inc.

Summary of Accounting Policies (Continued)

AFFILIATE SUPPORT

Affiliate support consists of sub-grants, resources, training, technical assistance and outcome measurement to independent, autonomous local organizations to implement Welcoming America initiatives and to assist these organizations in capacity building.

AFFILIATE REVENUE

During the year ended December 31, 2016, the Organization recorded revenue in the amount of \$40,000 from an affiliate to offset one half of the October 2016 conference expenses. At December 31, 2016, \$20,000 was included in accounts receivable for this affiliate. There were no significant affiliate revenue transactions for the year ended December 31, 2017.

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).

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).

Welcoming America, Inc.

Summary of Accounting Policies (Concluded)

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, 2017 and 2016, 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 Organization is currently evaluating the impact that the adoption of this guidance will have on the Organization's financial statements.

In August 2016, the FASB issued a new accounting standard, ASU 2016-14 (Topic 958), which changes the presentation and disclosure requirements for not for profits (NFP). The standard changes the net asset classification requirements and information presented about a NFP's liquidity, financial performance and cash flows. The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017 and for interim periods within fiscal years beginning after December 15, 2018. Early adoption of the standard is permitted. The Organization plans to adopt ASU 2016-14 (Topic 958) for year beginning after December 15, 2017. 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, 2016, the Organization received approximately \$1,092,000 of contribution revenue from two sources and approximately \$279,000 of contract revenue from a governmental agency.

At December 31, 2017, receivables include a total of \$425,000 owed from two donors. At December 31, 2016, receivables include a total of \$1,635,211 owed from three sources.

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

NOTE 2 –CONTRIBUTIONS RECEIVABLE

A summary of contributions receivable is as follows for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Receivable in less than one year	\$ 474,939	\$ 1,625,000
Receivable in one to five years	<u>-</u>	<u>450,000</u>
Total contributions receivable	474,939	2,075,000
Less: discounts to net present value (using an interest rate of 3.5%)	<u>-</u>	<u>(14,174)</u>
Net contributions receivable	<u>\$ 474,939</u>	<u>\$ 2,060,826</u>

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 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent unexpended contributions in cash and receivables which were designated by the donors for the following:

	As of December 31,	
	2017	2016
Fiscal year 2017	\$ -	\$ 1,756,500
Fiscal year 2018	450,000	410,827
Welcoming Cities/Counties	370,975	213,315
Receiving communities	54,250	-
Safe Cities Initiative	37,500	-
Strategist in Residence	34,141	-
Global Strategy Development	-	15,000
	<u>\$ 946,866</u>	<u>\$ 2,395,642</u>

NOTE 5 – BOARD RESTRICTED FUNDS

The Board of Directors has established a reserve account equal to approximately three months of expenses as a contingency in a separate bank account. All disbursements from this account require board approval.

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 \$133,750 and \$120,569 for the years ended December 31, 2017 and 2016. Minimum lease payments required under the Atlanta lease are as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ 108,200
2019	110,900
2020	<u>85,100</u>
	<u>\$ 304,200</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, 2017 and 2016, the Organization paid \$29,450 and \$28,671, respectively, in employer contributions and administration fees.