



## Vredeveld Haefner LLC

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May 18, 2021

Board of Directors  
Refugee Education Center  
Kentwood, Michigan

We have audited the financial statements of Refugee Education Center (the Organization) for the year ended December 31, 2020 and have issued our report thereon dated May 18, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 10, 2021. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Results

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of property and equipment. This estimate is based on previous history, actual usefulness and expected future usefulness of the property and equipment. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated May 18, 2021.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We also noted the following item:

#### **2020 RECOMMENDATION**

##### **Remittance of Payroll Liabilities**

During our review of the payroll liability accounts we noted balances at year-end that have not been remitted since June 2020. We recommend the Organization remit those balances to the respective local, state and federal agencies immediately and consult with those authorities to determine if there are any ramifications as a result of the delayed payment.

This information is intended solely for the use of the Board and management of Refugee Education Center and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Ordetaxeld Haefner LLC*



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**REFUGEE**  
EDUCATION  
CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020



Vredeveld Haefner LLC  
CPAs and Consultants

# REFUGEE EDUCATION CENTER

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### INDEPENDENT AUDITORS' REPORT

May 18, 2021

Board of Directors  
Refugee Education Center  
Kentwood, Michigan

We have audited the accompanying financial statements of Refugee Education Center (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, 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 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 position of Refugee Education Center as of December 31, 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.

*Vredeveld Haefner LLC*

**REFUGEE EDUCATION CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

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**Assets**

**Current assets**

Cash and cash equivalents	\$ 837,809
Accounts receivable	244,200
Current portion of grants receivable	420,000
Prepaid expenses	<u>2,053</u>

**Total current assets** 1,504,062

**Noncurrent assets**

Grants receivable, net of current portion	615,000
Net property and equipment	17,886
Security deposit receivable	<u>1,500</u>

**Total noncurrent assets** 634,386

**Total assets** \$ 2,138,448

**Liabilities and net assets**

**Current liabilities**

Accounts payable	\$ 23,746
Accrued payroll and related taxes	<u>81,324</u>

**Total current liabilities** 105,070

**Noncurrent liabilities**

Note payable	<u>149,300</u>
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**Total liabilities** 254,370

**Net assets**

Without donor restrictions	841,078
With donor restrictions	<u>1,043,000</u>

**Total net assets** 1,884,078

**Total liabilities and net assets** \$ 2,138,448

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

# REFUGEE EDUCATION CENTER

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

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	<b><u>Without Donor Restrictions</u></b>	<b><u>With Donor Restrictions</u></b>	<b><u>Total</u></b>
<b>Revenue and support</b>			
Contributions	\$ 620,119	\$ -	\$ 620,119
Donated goods	22,507	-	22,507
Grants	513,528	1,445,000	1,958,528
Other income	1,700	-	1,700
Investment return			
Interest, dividends and capital gain distributions	836	-	836
Net assets released from restrictions			
Satisfaction of program restrictions	<u>727,369</u>	<u>(727,369)</u>	<u>-</u>
<b>Total revenue and support</b>	<u>1,886,059</u>	<u>717,631</u>	<u>2,603,690</u>
<b>Expenses</b>			
<b>Program services</b>	1,241,498	-	1,241,498
<b>Supporting services</b>			
Management and general	199,088	-	199,088
Resource development	<u>227,913</u>	<u>-</u>	<u>227,913</u>
<b>Total expenses</b>	<u>1,668,499</u>	<u>-</u>	<u>1,668,499</u>
Change in net assets	217,560	717,631	935,191
<b>Net assets, beginning of year</b>	<u>623,518</u>	<u>325,369</u>	<u>948,887</u>
<b>Net assets, end of year</b>	<u>\$ 841,078</u>	<u>\$ 1,043,000</u>	<u>\$ 1,884,078</u>

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

**REFUGEE EDUCATION CENTER**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Resource Development</u>	<u>Total</u>
Salaries and related expenses	\$ 849,347	\$ 136,822	\$ 166,473	\$ 1,152,642
Donated goods	14,051	8,456	-	22,507
Membership dues	104	-	1,625	1,729
Staff appreciation and recruitment	6,124	491	357	6,972
Equipment	8,663	-	-	8,663
Contract services	160,256	49,195	47,704	257,155
Communication	10,527	687	1,898	13,112
Transportation	495	-	147	642
Occupancy	77,571	-	-	77,571
Meetings	-	16	19	35
Supplies	80,676	-	-	80,676
Marketing	-	-	3,384	3,384
Professional development	3,528	-	-	3,528
Insurance	4,524	-	-	4,524
Information and technology	18,012	806	6,306	25,124
Bank and merchant fees	1,240	760	-	2,000
Registration fees	464	20	-	484
Depreciation	5,916	1,835	-	7,751
Total expenses	<u>\$ 1,241,498</u>	<u>\$ 199,088</u>	<u>\$ 227,913</u>	<u>\$ 1,668,499</u>

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



# REFUGEE EDUCATION CENTER

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

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**Cash flows from operating activities**

Change in net assets	\$ 935,191
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	7,751
Changes in operating assets and liabilities which provided (used) cash	
Accounts receivable	(132,525)
Grants receivable	(902,000)
Prepaid expenses	(2,053)
Accounts payable	(11,466)
Accrued payroll and related taxes	<u>43,145</u>

**Net cash provided by (used in) operating activities** (61,957)

**Cash flows from investing activities**

Purchases of fixed assets	(2,424)
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**Cash flows from financing activities**

Proceeds from issuance of note payable	<u>149,300</u>
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Net increase (decrease) in cash and cash equivalents 84,919

**Cash and cash equivalents, beginning of year** 752,890

**Cash and cash equivalents, end of year** \$ 837,809

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

**REFUGEE EDUCATION CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization and Nature of Activities***

Refugee Education Center (the Organization) is a 501(c)(3) not-for-profit corporation formed in 2006 that seeks to help refugee families already living in West Michigan and who want to integrate more fully into the West Michigan community. This mission is accomplished by promoting education which in turn fosters economic mobility and civic engagement.

***Basis of Presentation***

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The Organization considers all demand and time deposits with an original maturity of 90 days or less and cash on hand to be cash and cash equivalents. The Organization's deposits are secured through FDIC insurance. At year-end and at times during the year, deposits exceed the maximum FDIC insurance coverage. Management believes the Organization is not exposed to any significant interest rate or other risk on these deposits.

***Accounts Receivable***

Accounts receivable are charged to bad debt expense as they are deemed uncollectible based on a periodic review of accounts. All of the accounts receivable balances are considered collectible by management. Accordingly, no allowance for doubtful accounts was considered necessary at year-end.

***Property and Equipment and Depreciation***

Property and equipment are capitalized at cost or, if donated, at the estimated fair value at the date of donation. Acquisitions of property or equipment in excess of \$1,000 are capitalized while ordinary repairs are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from 5 to 15 years.

***Compensated Absences***

Employees earn and accumulate paid time off (PTO) in varying amounts based on hours worked and length of service. A maximum of 16 hours of PTO is permitted to roll over to the next year. The Organization recognizes the cost of compensated absences when earned.

# REFUGEE EDUCATION CENTER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020

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### ***Contributions and Grants Revenue Recognition***

Contributions and grants received are recorded as net assets without donor restrictions or with donor restrictions depending on the existence of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or 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.

### ***Government Grants Revenue Recognition***

Funds received from governmental funding sources are recognized as revenue in the accounting period when the expenditures are incurred and the grant funds are earned. The Organization's governmental support is recorded as net assets without donor restrictions.

### ***Functional Allocation of Expenses***

The costs to provide the various programs and other 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. The expenses that are allocated include occupancy and insurance which are allocated on a square footage basis, as well as salaries and benefits which are allocated on the basis of estimates of time and effort.

### ***Income Taxes***

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Generally, income tax returns filed within the last three years remain open and subject to audit by regulatory authorities. The Organization concludes that there are no significant uncertain tax positions requiring recognition in the financial statements.

### ***Subsequent Events***

In preparing these financial statements, management has evaluated significant events and transactions for potential recognition or disclosure subsequent to December 31, 2020 and through the auditors' report date, the date the financial statements were available to be issued. No such events or transactions were identified.

## **2. LIQUIDITY AND AVAILABILITY**

The Organization is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities with donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure financial assets to be available as its general expenditures, liabilities and other obligations come due.

**REFUGEE EDUCATION CENTER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

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The Organization's financial assets at year-end are as follows:

Financial assets at December 31, 2020	\$2,117,009
Less those unavailable for general expenditure within one year due to donor specified time or purpose restrictions	<u>(1,043,000)</u>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b><u>\$1,074,009</u></b>

**3. GRANTS RECEIVABLE**

Scheduled payments of grants receivable for the fiscal years succeeding December 31, 2020 are summarized as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 420,000
2022	365,000
2023	<u>250,000</u>
<b>Total</b>	<b><u>\$1,035,000</u></b>

**4. PROPERTY AND EQUIPMENT**

Property and equipment is summarized as follows at December 31, 2020:

Leasehold improvements	\$34,431
Furniture and equipment	<u>16,997</u>
Total	51,428
Less accumulated depreciation	<u>33,542</u>
<b>Net property and equipment</b>	<b><u>\$17,886</u></b>

**5. NET ASSETS**

Net assets with donor restrictions at December 31, 2020 were as follows:

Specific purpose restriction	
Project Faulu program	\$ 30,000
Hands Connected program	950,000
Refugee Navigators	30,000
Ottawa County geographic region	13,000
Matching funds	<u>30,000</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$1,043,000</u></b>

# REFUGEE EDUCATION CENTER

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2020

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Net assets released from donor restrictions during the year ended December 31, 2020 are as follows:

Satisfaction of purpose restriction	
Project Faulu program	\$ 63,000
Hands Connected program	539,369
Advocacy	65,000
Ottawa County geographic region	15,000
Database	10,000
Refugee Navigators	20,000
Matching funds	<u>15,000</u>
<b>Total restrictions released</b>	<b><u>\$727,369</u></b>

#### 6. NOTE PAYABLE

The Organization has a Payroll Protection Program loan note payable that was obtained under the program established by the U.S. government to provide relief to small businesses during the coronavirus pandemic. The loan matures two years from the date of initial disbursement with interest at 1.0% unless certain conditions are met in which case it may be partly or wholly forgiven.

#### 7. LEASES

The Organization entered into a 48-month lease for its current location that commenced on April 1, 2014 and expired March 31, 2018. The lease called for annual rental payments ranging from \$18,000 to \$19,800. The lease was extended to March 31, 2019 with monthly rental payments of \$1,650 and later extended to March 31, 2020 with monthly rental payments of \$1,850. On December 10, 2018 the lease was amended to include additional square footage at \$2,000 per month. During 2019, the lease was extended for an additional year through March 31, 2021 with monthly rental payments of \$4,100 which covers both the original and additional space. Total rental expense under the agreement amounted to \$48,450 for the year ended December 31, 2020.

The Organization entered into a 24-month lease for additional facility space that commenced on November 1, 2017. The lease called for monthly rental payments of \$1,196, beginning November 1, 2017, which was subject to an annual rent increase based on the average consumer price inflation throughout the term of the lease. The lease contained a yearly renewable option after the term of the lease was fulfilled. The lease was amended effective November 14, 2018 to include additional square footage and the monthly rental payment amount was increased to \$1,629. The lease was extended on September 17, 2019 to cover one year for the period ended September 30, 2020 at the monthly rental payment amount of \$1,791. The lease was extended on October 12, 2020 to cover one year for the period ending September 30, 2021 at the monthly rental payment amount of \$1,839. Total rental expense under the agreement amounted to \$21,640 for the year ended December 31, 2020.

#### 8. CONTINGENCIES

The Organization receives grant funding which is subject to program compliance audits by the funding sources. The amount of expenditures which may be disallowed in the event of these audits cannot be determined, however, management believes such amounts would be immaterial.

