



**REFUGEE**  
EDUCATION  
CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018



Vredeveld Haefner LLC  
CPAs and Consultants

# REFUGEE EDUCATION CENTER

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### INDEPENDENT AUDITORS' REPORT

June 14, 2019

Board of Directors  
Refugee Education Center  
Kentwood, Michigan

#### Report on the Financial Statements

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, 2018, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, 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.

*Vredevelde Haefner LLC*

**REFUGEE EDUCATION CENTER**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**

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**Assets**

**Current assets**

Cash and cash equivalents	\$ 569,699
Accounts receivable	91,276
Current portion of grants receivable	316,471
Prepaid expenses	<u>5,435</u>

<b>Total current assets</b>	<u>982,881</u>
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**Noncurrent assets**

Grants receivable, net of current portion	25,000
Net property and equipment	31,203
Security deposit receivable	<u>1,500</u>

<b>Total noncurrent assets</b>	<u>57,703</u>
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<b>Total assets</b>	<u><u>\$ 1,040,584</u></u>
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**Liabilities and net assets**

**Current liabilities**

Accounts payable	\$ 42,535
Accrued payroll and related taxes	<u>20,290</u>

<b>Total liabilities</b>	<u>62,825</u>
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**Net assets**

Without donor restrictions	354,544
With donor restrictions	<u>623,215</u>

<b>Total net assets</b>	<u>977,759</u>
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<b>Total liabilities and net assets</b>	<u><u>\$ 1,040,584</u></u>
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The accompanying notes are an integral part of these financial statements.

# REFUGEE EDUCATION CENTER

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

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	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<b>Revenue and support</b>			
Contributions	\$ 135,556	\$ -	\$ 135,556
Grants	313,044	802,211	1,115,255
Special events	51,440	-	51,440
Other income	14,054	-	14,054
Investment return			
Interest, dividends and capital gain distributions	1,094	-	1,094
Net assets released from restrictions			
Satisfaction of program restrictions	<u>198,996</u>	<u>(198,996)</u>	<u>-</u>
<b>Total revenue and support</b>	<u>714,184</u>	<u>603,215</u>	<u>1,317,399</u>
<b>Expenses</b>			
<b>Program services</b>	619,944	-	619,944
<b>Supporting services</b>			
Management and general	78,093	-	78,093
Resource development	<u>80,158</u>	<u>-</u>	<u>80,158</u>
<b>Total expenses</b>	<u>778,195</u>	<u>-</u>	<u>778,195</u>
Change in net assets	(64,011)	603,215	539,204
<b>Net assets, beginning of year</b>	<u>418,555</u>	<u>20,000</u>	<u>438,555</u>
<b>Net assets, end of year</b>	<u>\$ 354,544</u>	<u>\$ 623,215</u>	<u>\$ 977,759</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, 2018

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management and General</u>	<u>Resource Development</u>	
Salaries and related expenses	\$ 414,412	\$ 14,957	\$ 49,120	\$ 478,489
Membership dues	1,375	2,602	-	3,977
Staff appreciation and recruitment	578	2,971	-	3,549
Advancement	-	-	5,409	5,409
Equipment	7,172	3,253	-	10,425
Contract services	120,892	15,546	762	137,200
Communication	1,724	2,772	1,806	6,302
Transportation	8,345	-	70	8,415
Occupancy	15,886	22,925	-	38,811
Meetings	-	924	133	1,057
Supplies	32,738	3,742	19,887	56,367
Professional development	7,094	354	-	7,448
Insurance	63	2,011	-	2,074
Information and technology	1,011	-	-	1,011
Bank and merchant fees	46	1,316	2,971	4,333
Registration fees	2,692	20	-	2,712
Accounting	-	1,065	-	1,065
Other expenses	-	540	-	540
Depreciation	5,916	3,095	-	9,011
Total expenses	<u>\$ 619,944</u>	<u>\$ 78,093</u>	<u>\$ 80,158</u>	<u>\$ 778,195</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, 2018

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<b>Cash flows from operating activities</b>	
Change in net assets	\$ 539,204
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities	
Depreciation	9,011
Changes in operating assets and liabilities which provided (used) cash	
Accounts receivable	(61,854)
Pledges receivable	20,000
Grants receivable	(341,471)
Prepaid expenses	(3,835)
Accounts payable	34,642
Accrued payroll and related taxes	<u>16,019</u>
<b>Net cash provided by (used in) operating activities</b>	211,716
<b>Cash flows from investing activities</b>	
Purchases of fixed assets	<u>(31,009)</u>
Net increase (decrease) in cash and cash equivalents	180,707
<b>Cash and cash equivalents, beginning of year</b>	<u>388,992</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 569,699</u>

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, 2018**

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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 vacation and sick leave in varying amounts based on hours worked and length of service. Sick leave does not roll over to the next year. At termination, employees are entitled to receive payment of unused, accumulated vacation in accordance with the established policies and formulas up to a maximum of 200 hours. Accordingly, the Organization recognizes the cost of compensated absences for vacation when earned.



# REFUGEE EDUCATION CENTER

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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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, 2018 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. As more fully described in Note 5, the Organization also had a committed line of credit in the amount of \$25,000 which was available throughout most of the year that it could draw upon in the event of an unanticipated liquidity need.

# REFUGEE EDUCATION CENTER

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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

Financial assets at December 31, 2018	\$1,002,446
Less those unavailable for general expenditure within one year due to donor specified time or purpose restrictions	<u>(623,215)</u>
<b>Financial assets available to meet cash needs for general expenditures within one year</b>	<b><u>\$379,231</u></b>

#### 3. GRANTS RECEIVABLE

Scheduled payments of grants receivable for the fiscal years succeeding December 31, 2018 are summarized as follows:

<u>Year</u>	<u>Amount</u>
2019	\$316,471
2020	<u>25,000</u>
<b>Total</b>	<b><u>\$341,471</u></b>

#### 4. PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows at December 31, 2018:

Leasehold improvements	\$34,431
Furniture and equipment	<u>14,573</u>
Total	49,004
Less accumulated depreciation	<u>17,801</u>
<b>Net property and equipment</b>	<b><u>\$31,203</u></b>

#### 5. LINE OF CREDIT

The Organization had available an unsecured line of credit with a bank that permitted maximum borrowings up to \$25,000 with interest charged at prime plus 1%. The line of credit matured on October 24, 2018 and was renewed subsequent to year-end with the same terms. There were no outstanding borrowings on the line of credit as of December 31, 2018.

#### 6. NET ASSETS

Net assets with donor restrictions at December 31, 2018 were as follows:

Specific purpose restriction	
Project Faulu program	\$124,584
Hands Connected program	<u>498,631</u>
<b>Total net assets with donor restrictions</b>	<b><u>\$623,215</u></b>

# REFUGEE EDUCATION CENTER

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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Net assets released from donor restrictions during the year ended December 31, 2018 are as follows:

Satisfaction of purpose restriction	
Project Faulu program	\$ 60,416
Hands Connected program	<u>138,580</u>
<b>Total restrictions released</b>	<b><u>\$198,996</u></b>

#### 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. Prior to year-end, the lease was extended for an additional year through 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. Total rental expense under the agreement amounted to \$21,005 for the year ended December 31, 2018.

The Organization entered into a 24-month lease for additional facility space that commenced on November 1, 2017. The lease calls for monthly rental payments of \$1,196, beginning November 1, 2017, which is subject to an annual rent increase based on the average consumer price inflation throughout the term of the lease. The lease contains a yearly renewable option after the term of the lease is 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. Total rental expense under the agreement amounted to \$11,248 for the year ended December 31, 2018.

The following is a schedule of annual future minimum lease payments required under operating leases with initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2018:

<u>Year</u>	<b>Non- Cancelable Operating Leases</b>
2019	\$61,885
2020	<u>11,550</u>
Total minimum payments due	<b><u>\$73,435</u></b>