

THE REFUGEE EDUCATION CENTER

FINANCIAL STATEMENTS

For the years ended
December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

November 6, 2018

To the Board of Directors
The Refugee Education Center
Kentwood, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the Refugee Education Center (a nonprofit organization), formerly the West Michigan Refugee Education and Cultural Center, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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, 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 The Refugee Education Center 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2018, on our consideration of The Refugee Education Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Refugee Education Center's internal control over financial reporting and compliance.



Certified Public Accountants
Grand Rapids, Michigan

FINANCIAL STATEMENTS

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STATEMENTS OF FINANCIAL POSITION

THE REFUGEE EDUCATION CENTER

December 31, 2017 and 2016

ASSETS

	2017	2016
Current Assets		
Cash	\$ 388,992	\$ 123,505
Accounts receivable	29,422	39,509
Pledges receivable	20,000	5,000
Prepaid rent	1,600	1,550
Total Current Assets	440,014	169,564
Property and Equipment		
Furniture and equipment	13,145	27,357
Leasehold improvements	4,850	4,850
	17,995	32,207
Less accumulated depreciation	(8,790)	(18,617)
Net Property and Equipment	9,205	13,590
Other Assets		
Security deposit	1,500	1,500
Total Assets	\$ 450,719	\$ 184,654

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 7,893	\$ 1,596
Payroll withholdings payable	4,271	1,594
Total Liabilities	12,164	3,190
Net Assets		
Unrestricted	418,555	176,464
Temporarily restricted	20,000	5,000
Total Net Assets	438,555	181,464
Total Liabilities and Net Assets	\$ 450,719	\$ 184,654

STATEMENTS OF ACTIVITIES

THE REFUGEE EDUCATION CENTER
For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	2017
Support and Revenue			
Grant income	\$ 491,565	\$ -	\$ 491,565
Corporate contributions	48,817	-	48,817
Individual and business contributions	48,741	-	48,741
Other contributions	41,592	20,000	61,592
Program revenue	14,033	-	14,033
Other income	2,626	-	2,626
Interest income	426	-	426
Loss on disposal of assets	(633)	-	(633)
Planting Deeper Roots event, net of \$9,449 of expenses in 2017	3,786	-	3,786
Assets released from restrictions	5,000	(5,000)	-
Total Support and Revenue	655,953	15,000	670,953
Expenses			
Program services	331,884	-	331,884
Management and general	74,353	-	74,353
Fundraising	7,625	-	7,625
Total Expenses	413,862	-	413,862
Change in Net Assets	242,091	15,000	257,091
Net Assets - beginning of year	176,464	5,000	181,464
Net Assets - end of year	<u>\$ 418,555</u>	<u>\$ 20,000</u>	<u>\$ 438,555</u>

STATEMENTS OF ACTIVITIES

THE REFUGEE EDUCATION CENTER
For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	2016
Support and Revenue			
Grant income	\$ 251,011	\$ -	\$ 251,011
Corporate contributions	37,799	-	37,799
Individual and business contributions	9,411	-	9,411
Other contributions	22,295	-	22,295
In-kind contributions	623	-	623
Interest income	144	-	144
Planting Deeper Roots event, net of \$10,015 of expenses in 2016	17	-	17
Assets released from restrictions	5,000	(5,000)	-
Total Support and Revenue	326,300	(5,000)	321,300
Expenses			
Program services	227,033	-	227,033
Management and general	68,472	-	68,472
Fundraising	8,236	-	8,236
Total Expenses	303,741	-	303,741
Change in Net Assets	22,559	(5,000)	17,559
Net Assets - beginning of year	153,905	10,000	163,905
Net Assets - end of year	<u>\$ 176,464</u>	<u>\$ 5,000</u>	<u>\$ 181,464</u>

STATEMENTS OF FUNCTIONAL EXPENSES

THE REFUGEE EDUCATION CENTER
For the year ended December 31, 2017

	Program	Management and General	Fundraising	2017
Payroll	\$ 186,620	\$ 39,587	\$ 2,828	\$ 229,035
Payroll taxes	17,049	3,029	217	20,295
Total Payroll and Payroll Taxes	203,669	42,616	3,045	249,330
Advancement	-	6,870	4,580	11,450
Bank fees	2,056	430	-	2,486
Direct client assistance	1,485	-	-	1,485
Cleaning expenses	4,402	921	-	5,323
Depreciation	3,103	649	-	3,752
Insurance	1,747	1,164	-	2,911
Interest	-	31	-	31
Legal and professional expenses	-	11,274	-	11,274
Miscellaneous	-	6,969	-	6,969
Outside services	65,969	-	-	65,969
Printing and postage	2,069	-	-	2,069
Professional development	3,835	-	-	3,835
Rent	15,621	3,429	-	19,050
Summer program	764	-	-	764
Supplies	21,702	-	-	21,702
Telephone and internet	2,873	-	-	2,873
Transportation	2,589	-	-	2,589
Total Expenses	\$ 331,884	\$ 74,353	\$ 7,625	\$ 413,862

STATEMENTS OF FUNCTIONAL EXPENSES

THE REFUGEE EDUCATION CENTER
For the year ended December 31, 2016

	Program	Management and General	Fundraising	2016
Payroll	\$ 141,397	\$ 35,000	\$ 2,500	\$ 178,897
Payroll taxes	13,582	2,678	191	16,451
Total Payroll and Payroll Taxes	154,979	37,678	2,691	195,348
Advancement	-	8,318	5,545	13,863
Bank fees	1,510	367	-	1,877
Direct client assistance	1,813	-	-	1,813
Cleaning expenses	4,507	1,096	-	5,603
Depreciation	3,018	734	-	3,752
Insurance	2,128	1,419	-	3,547
Legal and professional expenses	-	12,497	-	12,497
Miscellaneous	-	4,437	-	4,437
Outside services	22,991	-	-	22,991
Printing and postage	1,585	-	-	1,585
Professional development	6,224	-	-	6,224
Rent	16,824	1,926	-	18,750
Summer program	657	-	-	657
Supplies	5,796	-	-	5,796
Telephone and internet	3,012	-	-	3,012
Transportation	1,989	-	-	1,989
Total Expenses	\$ 227,033	\$ 68,472	\$ 8,236	\$ 303,741

STATEMENTS OF CASH FLOWS

THE REFUGEE EDUCATION CENTER

For the years ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	\$ 257,091	\$ 17,559
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of assets	633	-
Depreciation	3,752	3,752
Changes in operating assets and liabilities:		
Accounts receivable	10,087	(5,807)
Pledges receivable	(15,000)	5,000
Prepaid rent	(50)	250
Accounts payable	6,297	(809)
Payroll withholdings payable	2,677	1,594
Net Cash Provided by Operating Activities	265,487	21,539
Cash, beginning of year	123,505	101,966
Cash, end of year	<u><u>\$ 388,992</u></u>	<u><u>\$ 123,505</u></u>

Note A – Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Refugee Education Center (“Organization”), formerly the West Michigan Refugee Educational & Cultural Center, is a Michigan not-for-profit corporation exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. Its primary program is supporting refugees and their families in gaining the skills necessary for successful integration into the community.

Financial Statement Presentation

The Organization reports 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. In addition, the Organization is required to present a statement of cash flows.

Method of Accounting

The financial statements of the Organization are maintained on the accrual basis, recording revenue when earned rather than when received, and recording expenses when incurred rather than when paid.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management has reviewed the balances that comprise the various categories of accounts receivable and determined such balances to be fully collectible. Accordingly, no provision for uncollectible accounts is included in the financial statements. If amounts become uncollectible, a provision for the potential loss will be charged to operations when that determination is made.

Pledges Receivable

Pledges receivable represent unconditional promises to give, consisting of individual, foundation, church and corporate sponsorships, and are recognized as revenues in the period promised and as assets, decreases in liabilities or expenses depending on the form of the benefits to be received. Unconditional promises to give are stated at the amount management expects to collect from outstanding balances, discounted to present value. The Organization uses the allowance method to account for uncollectible promises to give. The allowance is calculated using an estimated percentage of outstanding balances based on management’s experience. Management provides for probable uncollectible amounts through a charge to earnings and credit to a valuation allowance. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional promises to give.

Conditional promises to give are recognized when the conditions upon which they depend are substantially met. There were no conditional promises to give at December 31, 2017 and 2016.

Note A – Nature of Organization and Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost, if purchased or, if donated, at fair market value as of the date of the gift. Major improvements and betterments are capitalized; maintenance and repairs are expensed when incurred. Depreciation is computed principally on the straight-line method over the following useful lives of the assets:

Furniture and equipment	5 - 7 years
Leasehold improvements	15 years

Net Assets

The Organization reports information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.
- Temporarily restricted net assets contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions when the restrictions are satisfied either by the passage of time or by actions of the Organization. However, if a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as unrestricted.
- Permanently restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for specific purposes. Currently, there are no permanently restricted net assets.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor imposed restrictions that are met in the same year as received or earned are reported as unrestricted income.

Note A – Nature of Organization and Summary of Significant Accounting Policies (Continued)

Functional Expenses

The costs to provide the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization evaluates tax positions taken on its federal Exempt Organization Business Income Tax Returns in accordance with accounting principles generally accepted in the United States of America, which require that tax positions taken be more-likely-than-not to be sustained. Management believes that the Organization has no significant unrecognized tax benefits under that criterion. Penalties and interest, if any, assessed by income taxing authorities are included in operating expenses. The Organization's federal Exempt Organization Business Income Tax Returns are generally subject to examination by taxing authorities for three years after they were filed.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through November 6, 2018, which is the date the financial statements were available to be issued.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform to the current year's presentation.

NOTES TO FINANCIAL STATEMENTS

THE REFUGEE EDUCATION CENTER

December 31, 2017 and 2016

Note B – Temporarily Restricted Net Assets

The Organization's temporarily restricted net assets consist of the following:

	2017	2016
Restricted for future programming	\$ 20,000	\$ 5,000

Note C – Line of Credit

Subsequent to year end, the Organization opened a \$25,000 unsecured line of credit with a bank which bears interest at 1.0 % above the bank's prime lending rate. The line of credit matured on October 24, 2018 but was not renewed. There were no outstanding borrowings on the line of credit at December 31, 2017 and 2016.

Note D – Lease

The Organization leases its facility from an unrelated party under an operating lease which expired on March 31, 2018. The lease was renewed for one year subsequent to year end. The lease requires monthly payments of \$1,600 with an increase based on the consumer price index. Total rent expense was \$19,050 and \$18,750 for the years ended December 31, 2017 and 2016, respectively.

On November 1, 2017, the Organization entered into a lease agreement with an unrelated party to lease additional facility space. The lease commenced on May 1, 2018. The lease expires on October 31, 2020 and requires monthly payments of \$1,196.

The following is a schedule of future minimum non-cancelable rental obligations as of December 31, 2017:

2018	\$ 29,217
2019	19,300
2020	11,958
	<u>\$ 60,475</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 6, 2018

To the Board of Directors
The Refugee Education Center
Grand Rapids, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Refugee Education Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Refugee Education Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Refugee Education Center's internal control. Accordingly, we do not express an opinion on the effectiveness of The Refugee Education Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Refugee Education Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Hungerford Nichols".

Certified Public Accountants
Grand Rapids, Michigan