
REFUGEE TRANSITIONS

FINANCIAL STATEMENTS

June 30, 2019

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2018)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

REFUGEE TRANSITIONS

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Refugee Transitions
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Refugee Transitions, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses 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.

Auditors' 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 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 Refugee Transitions as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Refugee Transitions' June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Crosby & Lameda CPAs LLP". The signature is written in a cursive, flowing style.

Oakland, California

January 2, 2020

REFUGEE TRANSITIONS

Statement of Financial Position June 30, 2019 (With Comparative Totals as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 276,545	\$ 311,233
Accounts receivable	126,625	117,656
Contributions receivable	187,369	180,600
Prepaid expenses	23,810	19,369
Total Current Assets	<u>614,349</u>	<u>628,858</u>
Deposits	6,814	6,814
Total Assets	<u>\$ 621,163</u>	<u>\$ 635,672</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 42,606	\$ 46,706
Accrued vacation	29,298	27,647
Total Liabilities	<u>71,904</u>	<u>74,353</u>
Net Assets		
Without donor restrictions	549,259	529,819
With donor restrictions (Note 5)	-	31,500
Total Net Assets	<u>549,259</u>	<u>561,319</u>
Total Liabilities and Net Assets	<u>\$ 621,163</u>	<u>\$ 635,672</u>

See Notes to the Financial Statements

REFUGEE TRANSITIONS

Statement of Activities For the Year Ended June 30, 2019 (With Comparative Totals for the Year Ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Support and Revenue				
Support				
Individual contributions	\$ 309,806	\$	\$ 309,806	\$ 329,928
Foundation and corporate support	390,502	58,000	448,502	497,144
Government grants	498,085		498,085	488,873
In-kind contributions (Note 6)	1,140		1,140	34,603
Total Support	<u>1,199,533</u>	<u>58,000</u>	<u>1,257,533</u>	<u>1,350,548</u>
Revenue				
Partners contracts	46,776		46,776	48,560
Investment activity			-	1,764
Other income	416		416	684
Total Revenue	<u>47,192</u>	<u>-</u>	<u>47,192</u>	<u>51,008</u>
Support provided by expiring time and purpose restrictions	<u>89,500</u>	<u>(89,500)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>1,336,225</u>	<u>(31,500)</u>	<u>1,304,725</u>	<u>1,401,556</u>
Expenses				
Program	1,005,012		1,005,012	1,044,662
Management and general	145,277		145,277	129,139
Fundraising	<u>166,496</u>		<u>166,496</u>	<u>141,588</u>
Total Expenses	<u>1,316,785</u>	<u>-</u>	<u>1,316,785</u>	<u>1,315,389</u>
Change in Net Assets	19,440	(31,500)	(12,060)	86,167
Net Assets, beginning of year	<u>529,819</u>	<u>31,500</u>	<u>561,319</u>	<u>475,152</u>
Net Assets, end of year	<u>\$ 549,259</u>	<u>\$ -</u>	<u>\$ 549,259</u>	<u>\$ 561,319</u>

See Notes to the Financial Statements

REFUGEE TRANSITIONS

Statement of Cash Flows For the Year Ended June 30, 2019 (With Comparative Totals for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (12,060)	\$ 86,167
Adjustments to reconcile change in net assets to cash provided (used) in operating activities:		
Donated stock	-	(7,417)
Investment activity	-	(1,764)
Depreciation	-	790
Change in assets and liabilities:		
Accounts receivable	(8,969)	129,656
Contributions receivable	(6,769)	(180,600)
Prepaid expenses	(4,441)	(3,631)
Deposits	-	(2,731)
Accounts payable and accrued expenses	(4,100)	3,871
Accrued vacation	1,651	(2,392)
Net cash provided (used) by operating activities	<u>(34,688)</u>	<u>21,949</u>
Cash flows from investing activities:		
Proceeds from sale of investments	-	17,022
Net cash provided (used) by investing activities	<u>-</u>	<u>17,022</u>
Net change in cash and cash equivalents	(34,688)	38,971
Cash and cash equivalents, beginning of year	<u>311,233</u>	<u>272,262</u>
Cash and cash equivalents, end of year	<u>\$ 276,545</u>	<u>\$ 311,233</u>
Supplemental Information:		
Non-cash transaction		
Donated stock	<u>\$ -</u>	<u>\$ 7,417</u>

See Notes to the Financial Statements

REFUGEE TRANSITIONS

Statement of Functional Expenses For the Year Ended June 30, 2019 (With Comparative Totals for the Year Ended June 30, 2018)

	Program	Management and General	Fundraising	Total	
				2019	2018
Salaries	\$ 626,557	\$ 77,760	\$ 103,171	\$ 807,488	\$ 771,340
Retirement contributions	10,081	1,208	1,665	12,954	10,921
Other employee benefits	85,718	9,299	14,178	109,195	89,508
Payroll taxes	55,153	4,716	6,296	66,165	63,855
Total Personnel	<u>777,509</u>	<u>92,983</u>	<u>125,310</u>	<u>995,802</u>	<u>935,624</u>
Donated legal services	-	1,140	-	1,140	34,603
Accounting fees	-	28,120	-	28,120	34,780
Other fees for service	119,619	428	7,543	127,590	150,234
Advertising and promotion	142	-	21,790	21,932	21,403
Office expenses	15,654	6,139	2,232	24,025	43,526
Dues, licenses, service fees	450	1,414	-	1,864	1,501
Occupancy	77,617	5,578	8,342	91,537	74,792
Travel	6,493	1,011	479	7,983	6,682
Conferences and meetings	3,752	6,097	181	10,030	3,105
Depreciation	-	-	-	-	790
Insurance	3,776	2,367	619	6,762	8,349
Total Expenses	<u>\$ 1,005,012</u>	<u>\$ 145,277</u>	<u>\$ 166,496</u>	<u>\$ 1,316,785</u>	<u>\$ 1,315,389</u>

See Notes to the Financial Statements

REFUGEE TRANSITIONS

Notes to the Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for the Year Ended June 30, 2018)

NOTE 1: NATURE OF ACTIVITIES

Refugee Transitions (RT or the Organization) is a California community-based nonprofit agency serving high-need, low-income newcomers from 50 countries who have sought refuge in the U.S. Based in the San Francisco Bay Area, RT provides education, family engagement, and community leadership programs that help newcomers become self-sufficient and successful in their new communities. Key components of our work over the past 35+ years have been fostering cross-cultural relationships between receiving and newcomer communities, as well as multiplying newcomer students' capacity to help their own communities.

Our students come to the U.S. with multiple skills, such as multilingualism, and a wealth of diverse knowledge and experience. RT's vision is to see all newcomers thrive and become full, participating members of our shared communities. Our mission is to assist refugee, asylee, and immigrant newcomers in becoming self-sufficient in the U.S. by providing services that help them attain the English language, life, job, and academic skills they need to succeed in their new communities. We believe in the power of education to unlock opportunity, and we provide solutions that are transformative for students and volunteers alike. We believe that refugee, asylee, and immigrant newcomers have the resiliency and leadership potential to shape our world for the better.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the

REFUGEE TRANSITIONS

Notes to the Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for the Year Ended June 30, 2018)

financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor imposed restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounts Receivable

Accounts receivable are primarily unsecured non-interest bearing amounts due from grantors on a cost reimbursement or performance grants and customers on performance contracts. The Organization considers all accounts receivable to be fully collectible at June 30, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The Organization considers all contributions receivable to be fully collectible at June 30, 2019. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts become uncollectible, they are charged to expense in the period in which that determination is made.

REFUGEE TRANSITIONS

Notes to the Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for the Year Ended June 30, 2018)

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the California Revenue and Taxation Code Section 23701(d). The Organization has evaluated its current tax positions as of June 30, 2019 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

The Organization had no assets or liabilities recorded at fair value on June 30, 2019.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

REFUGEE TRANSITIONS

Notes to the Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for the Year Ended June 30, 2018)

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. The Organization capitalizes all expenditures for property and equipment over \$2,500; the fair value of donated fixed assets is similarly capitalized. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment or the related lease terms as follows:

Furniture and equipment	3-5 years
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Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. As of June 30, 2019, all property and equipment were fully depreciated.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using a reasonable allocation method that is consistently applied as follows:

Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.

Occupancy, depreciation, office expenses and supplies, insurance, and other expenses that cannot be directly identified are allocated on the basis of employee headcount for each program and supporting activity.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Changes in Accounting Principles

The Organization implemented FASB ASU No. 2016-14 in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.

The unrestricted net asset class has been renamed net assets without donor restrictions.

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Notes to the Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for the Year Ended June 30, 2018)

The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at June 30, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 529,819	\$ -
Temporarily restricted net assets	31,500	-
Net assets without donor restrictions	-	529,819
Net assets with donor restrictions	-	31,500
Total	<u>\$ 561,319</u>	<u>\$ 561,319</u>

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Subsequent Events

The Organization has evaluated subsequent events and has concluded that as of January 2, 2020 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose.

NOTE 3: COMMITMENTS

Operating Leases

The Organization is party to multiple lease agreements for office space with various expiration dates through April 2023. Future minimum operating lease payments are as follows for the years ended June 30:

2020	\$ 87,531
2021	81,389
2022	80,155
2023	<u>33,770</u>
Total	<u>\$ 282,845</u>

Rent expense for the years ended June 30, 2019 and 2018 was \$81,589 and \$63,842, respectively.

REFUGEE TRANSITIONS

Notes to the Financial Statements For the Year Ended June 30, 2019 (With Comparative Totals for the Year Ended June 30, 2018)

NOTE 4: CONTINGENCIES

Compliance with Donor Restrictions

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization have complied with the terms of all grants.

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$0 and \$31,500 were available for program support as of June 30, 2019 and 2018, respectively.

NOTE 6: IN-KIND CONTRIBUTIONS

During the years ended June 30, 2019 and 2018, the Organization received donated legal services valued at \$1,140 and \$34,603, respectively.

NOTE 7: RETIREMENT PLAN

The Organization has a SIMPLE-IRA plan (the Plan) under section 408(p) of the Internal Revenue Code. The Plan covers all eligible employees who meet compensation requirements, with all benefits vesting immediately. The Organization makes matching contributions totaling 3% of employee elective deferrals. During the years ended June 30, 2019 and 2018, the Organization made contributions totaling \$12,954 and \$10,921, respectively.

NOTE 8: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2019 are:

Financial assets:	
Cash and cash equivalents	\$ 276,545
Accounts receivable	126,625
Contributions receivable	<u>187,369</u>
Amount available for general expenditures within one year	<u>\$ 590,539</u>

As part of the Organization's liquidity management plan, the Organization invests funds in excess of daily requirements in cash and cash equivalents.