

Immigration Institute of the Bay Area

Financial Statements &
Independent Auditor's Report
for the Year Ended
June 30, 2020

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Immigration Institute of the Bay Area
San Francisco, California

We have audited the accompanying financial statements of Immigration Institute of the Bay Area (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, the related statements of activities and changes in net assets, 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 audit 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 an assessment of the risks of the 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Immigration Institute of the Bay Area, as of June 30, 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.

Summarized Comparative Information

The summarized comparative information has been derived from the Organization's financial statements for the year ended June 30, 2019, which were audited by a predecessor accounting firm. That firm's report dated October 22, 2019 expressed an unmodified opinion on those audited financial statements.

A handwritten signature in blue ink that reads "Cook & Company". The signature is written in a cursive, flowing style.

A Professional Accountancy Corporation
San Francisco, California
January 14, 2021

Immigration Institute of the Bay Area

Statement of Financial Position June 30, 2020 with Comparative Totals for June 30, 2019

	<u>6/30/2020</u>	<u>6/30/2019</u> Note 2
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,565,432	\$ 419,711
Investments (Note 3)	2,734,284	2,313,141
Grants receivable	231,404	127,300
Government grants receivable	563,588	766,515
Prepaid expenses and other current assets	83,413	70,100
Total current assets	<u>5,178,121</u>	<u>3,696,767</u>
Deposits	32,220	76,940
Total assets	<u><u>5,210,341</u></u>	<u><u>3,773,707</u></u>
LIABILITIES & NET ASSETS		
Liabilities		
Accounts payable	\$ 112,293	\$ 53,453
Accrued payroll	40,812	46,726
Accrued vacation	186,091	118,877
Fiscal sponsorship payable	168,195	173,877
Total liabilities	<u><u>507,391</u></u>	<u><u>392,933</u></u>
Net Assets		
Without donor restrictions	4,078,586	2,897,440
With donor restrictions (Note 4)	624,364	483,334
Total net assets	<u>4,702,950</u>	<u>3,380,774</u>
Total liabilities and net assets	<u><u>\$ 5,210,341</u></u>	<u><u>\$ 3,773,707</u></u>

See accompanying notes to financial statements and independent auditor's report.

Immigration Institute of the Bay Area

Statement of Activities & Changes in Net Assets for the Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	6/30/2020 Total	6/30/2019 Total (Note 2)
Support and Revenue				
Grants	\$ 150,000	\$ 1,584,908	\$ 1,734,908	\$ 1,307,642
Government grants	2,820,985		2,820,985	2,338,129
Grant - Payroll Protection Program	629,560		629,560	-
Contributions	448,001		448,001	180,133
In-kind contributions	66,121		66,121	168,384
Fees for services	408,611		408,611	409,187
Fundraising event contributions	140,688		140,688	145,684
Less: Direct event expenses	(11,600)		(11,600)	(13,158)
Interest income	60,022		60,022	58,929
Changes in value of investments	48,411		48,411	97,004
Investment fees	(12,412)		(12,412)	(10,739)
Other income	1,541		1,541	5,139
Net assets released from restrictions	1,443,878	(1,443,878)	-	-
Total revenue and support	<u>6,193,806</u>	<u>141,030</u>	<u>6,334,836</u>	<u>4,686,334</u>
Expenses				
Program services expense	3,874,699		3,874,699	3,803,934
Management and general	925,208	-	925,208	321,100
Fundraising / development	212,753	-	212,753	55,799
Total expenses	<u>5,012,660</u>	<u>-</u>	<u>5,012,660</u>	<u>4,180,833</u>
Change in Net Assets	1,181,146	141,030	1,322,176	505,501
Net Assets, Beginning of Year	<u>2,897,440</u>	<u>483,334</u>	<u>3,380,774</u>	<u>2,875,273</u>
Net Assets, End of Year	<u>\$ 4,078,586</u>	<u>\$ 624,364</u>	<u>\$ 4,702,950</u>	<u>\$ 3,380,774</u>

See accompanying notes to financial statements and independent auditor's report.

Immigration Institute of the Bay Area

Statement of Functional Expenses for the Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

	San Francisco	Oakland	San Mateo	Brentwood	Napa	Sonoma	Fremont	Total Program	Management	Fundraising /	6/30/2020	6/30/2019
	Immigration	Immigration	Immigration	Immigration	Immigration	Immigration	Immigration	Services	and General	Development	Total	Total
	Program	Program	Program	Program	Program	Program	Program					(Note 2)
Salaries	\$ 304,293	\$ 640,069	\$ 314,786	\$ 321,694	\$ 532,429	\$ 128,518	\$ 174,975	\$ 2,416,764	\$ 635,829	\$ 155,452	\$ 3,208,045	\$ 2,520,398
Employee benefits	39,014	71,884	21,484	40,537	77,952	18,867	25,654	295,392	78,701	18,852	392,945	324,289
Payroll taxes	21,368	46,754	19,127	22,819	38,206	9,446	13,072	170,792	45,960	11,695	228,447	182,756
Accounting fees	478	1,078	2,335	533	961	206	382	5,973	14,988	-	20,961	25,414
Other professional services	-	3,000	613	-	-	-	-	3,613	62,684	-	66,297	31,143
Communications	6,166	8,128	9,144	4,437	4,315	-	3,350	35,540	10,200	-	45,740	36,092
Marketing expenses	-	-	-	-	-	-	-	-	1,927	-	1,927	20,396
Office expenses	4,401	10,071	15,977	5,761	8,973	235	4,442	49,860	13,730	-	63,590	48,131
Postage & delivery	3,485	8,485	5,790	3,141	5,683	1,215	-	27,799	2,027	-	29,826	23,634
Printing & duplication	-	-	(3,551)	184	21	-	-	(3,346)	1,772	-	(1,574)	15,364
Information technology	4,054	7,124	8,248	3,544	5,689	2,877	3,753	35,289	8,706	-	43,995	41,638
Occupancy	50,723	89,960	30,178	32,941	60,378	-	14,743	278,923	42,541	8,286	329,750	314,977
Travel	17	2,086	3,942	1,201	6,255	1,321	164	14,986	10,101	-	25,087	46,529
Filing fees	22,275	74,745	29,205	92,565	112,860	22,275	28,215	382,140	-	-	382,140	244,530
Staff/board development	2,118	1,244	2,858	564	3,607	165	292	10,848	40,692	-	51,540	25,024
Insurance	2,495	5,436	6,893	2,706	5,087	1,068	1,696	25,381	2,299	-	27,680	24,858
Fundraising expenses	-	-	-	-	-	-	-	-	-	16,369	16,369	42,640
Bank charges	112	733	137	-	64	-	226	1,272	7,189	-	8,461	6,530
In-kind expenses	5,474	6,889	27,042	-	9,666	-	4,950	54,021	500	-	54,521	168,384
Other expenses	806	3,107	2,829	1,466	2,326	117	716	11,367	5,546	-	16,913	35,606
Allocation of shared costs	5,676	12,616	15,699	6,271	11,525	2,426	3,872	58,085	(60,184)	2,099	-	-
Total expenses by function	\$ 472,955	\$ 993,409	\$ 512,736	\$ 540,364	\$ 885,997	\$ 188,736	\$ 280,502	\$ 3,874,699	\$ 925,208	\$ 212,753	\$ 5,012,660	\$ 4,180,833

See accompanying notes to financial statements and independent auditor's report.

Immigration Institute of the Bay Area

Statement of Cash Flows for the Year Ended June 30, 2020 with Comparative Totals for the Year Ended June 30, 2019

	6/30/2020	6/30/2019 (Note 2)
Cash flows from operating activities:		
Cash received from grantors/contributors	\$ 5,939,086	\$ 3,841,339
Cash received from payments of program fees	429,959	397,471
Dividends and interest received	60,022	58,929
Cash generated from operating activities	6,429,067	4,297,739
Cash paid to, or for the benefit of, employees	(3,768,137)	(3,026,134)
Cash paid to contractors and suppliers	(1,142,477)	(1,223,038)
Cash disbursed for operating activities	(4,910,614)	(4,249,172)
Net cash flows generated from operating activities	1,518,453	48,567
Cash flows from investing activities:		
Purchases / redemptions of marketable securities	(372,731)	(106,561)
Net cash flows from investing activities	(372,731)	(106,561)
 NET INCREASE IN CASH	 1,145,722	 (57,994)
CASH & CASH EQUIVALENTS, beginning of year	419,711	477,705
CASH & CASH EQUIVALENTS, end of year	\$ 1,565,433	\$ 419,711

Supplemental information:

Reconciliation of change in net assets to cash flows generated from operating activities:

Change in net assets	\$ 1,322,176	\$ 505,501
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Change in value of investments	(48,411)	(97,004)
Changes in assets and liabilities:		
Grants receivable	98,823	(298,633)
Prepaid expenses & deposits	31,407	(3,697)
Accounts payable	58,840	32,800
Accrued payroll	(5,914)	(4,459)
Accrued vacation	67,214	5,768
Deferred revenue		(4,800)
Fiscal sponsorship payable	(5,682)	(86,909)
Net cash flows generated from operating activities	\$ 1,518,453	\$ 48,567

See accompanying notes to financial statements and independent auditor's report.

Immigration Institute of the Bay Area

Notes to Financial Statements

June 30, 2020

1. The Organization

Nature of Activities

The Immigration Institute of the Bay Area (IIBA) is a non-profit corporation that was founded in 1918. The mission of the IIBA is to welcome, educate and serve immigrants, refugees and their families as they join and contribute to the community. Services are provided in San Francisco, San Mateo, Alameda, Napa, Sonoma and Contra Costa Counties. IIBA is the largest non-profit provider of immigration legal services in Northern California. Support for IIBA's projects and programs comes from government, private foundations, corporations, service fees for immigration legal assistance, and individual donation.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned and realizable, and expenses are recognized when they are incurred.

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions, which includes resources not subject to, or no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Revenue Recognition

The Organization recognizes contributions when it receives cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in *net assets without donor restrictions* unless they are encumbered by explicit donor stipulation or by law. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization's contracts with government agencies are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2020, conditional contributions approximating \$1,513,000, for which

Immigration Institute of the Bay Area

Notes to Financial Statements

June 30, 2020

no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Payroll Protection Program

The Organization received a forgivable loan from the Payroll Protection Program (PPP) through the U.S. Small Business Administration. Nonprofit organizations have the option of treating the funding from this program as a conditional government grant in accordance with ASC 958 or as debt in accordance with ASC 470. When treating PPP funds as a grant, revenue is recognized when qualifying expenditures are incurred. Because IIBA has elected to treat the loan as a government grant whose conditions had been satisfied as of fiscal year-end, the entire amount of the loan is reflected in the support and revenue section of the *statement of activities and changes in net assets*. Although the loan had not been forgiven as of the time the financial statements were available to be issued, management believes the Organization has satisfied the conditions required to convert the loan to a grant. Forgiveness is anticipated to occur by spring 2021.

Cash and Equivalents

Cash and equivalents include deposits held in bank checking and savings accounts, as well as money market funds held with an investment brokerage firm.

Accounts Receivable

Grants receivable from foundations are recorded based on formal, written promises received. Since all amounts are deemed fully collectible within one year of the balance sheet date, there is no allowance for doubtful accounts or present value discount reflected in the financial statements.

Government grants/contracts receivable are reported at the amount management expects to collect from municipal agencies on balances outstanding at year-end. All amounts are deemed fully collectible within one year of the balance sheet date.

Fair Value of Financial Instruments

The carrying amounts of cash, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Property & Equipment

Property and equipment consist of office furnishings and equipment. Assets with an initial cost (or fair market value if donated) of \$3,000 or more are capitalized.

Fiscal Sponsorship Liabilities

IIBA acts as a custodian of contributions raised and designated for other nonprofit organizations. Because IIBA does not have variance power over the use of the contributions, they are considered agency transactions and not reflected on the Organization's statement of activities. Amounts received under this arrangement are reflected as a liability until the point when they are transferred to recipients.

In-kind Support

The vast majority of in-kind support consists of donated services that require specialized skills, are provided by volunteers who possess those skills, and would have to be purchased if not donated. These include ESL teachers, paralegals and attorneys.

Immigration Institute of the Bay Area

Notes to Financial Statements

June 30, 2020

Functional Expenses

The Organization presents its expenses by function and natural category. The compensation expense for certain employees is allocated to various functions according to management's estimate of time and effort. These employees include Executive Director, Deputy Director, Human Resource Director, Communication Manager, Legal Director, Administrative/Executive Assistant, and Director of Finance & Administration.

Other shared costs are allocated based on overall time and effort expended on each function.

Other expenses are charged directly to the appropriate function based on specific identification.

Income Taxes

As a public charity, the Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3), except on activities unrelated to its mission. Since management believes that all of the Organization's activities are directly related to its mission, no provision has been made for income tax expense. The Organization's federal *Return of Organization Exempt from Income Tax* (Form 990) filings for the tax years ending in 2018 through 2020 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2017 through 2020 are subject to examination by the Franchise Tax Board, generally for four years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Upcoming Accounting Pronouncement

Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond.

This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new five-step contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

The enactment of this pronouncement will be reflected in the Organization's financial statements for the year ending June 30, 2021.

New Accounting Pronouncement in Effect

These financial statements reflect the provisions Accounting Standards Update No. 2018-08— *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which the FASB enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations.

Immigration Institute of the Bay Area

Notes to Financial Statements June 30, 2020

This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. The update will result in more governmental contracts being accounted for as contributions and may delay recognition for certain grants and contributions that no longer meet the definition of unconditional. This pronouncement is effective for calendar years ending in 2019 and beyond. There is no effect on the Organization's beginning net assets in connection with the enactment of ASU 2018-08.

Prior Year Information

The financial statement information for the year ended June 30, 2019, presented for comparative purposes, is not intended to be a complete financial statement presentation. Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. For a complete presentation of 2019, please refer to the financial statements for that fiscal year.

3. Investments – Fair Value Measurements

The Organization has valued its investments in accordance with FASB ASC #820, which establishes a fair value framework in accordance with generally accepted accounting principles. ASC #820 clarifies the definition of fair value, taking the position that fair value is the exchange price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date.

There are three defined levels in the fair value hierarchy:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 – Prices or valuations based on observable inputs other than quoted prices in active markets for identical assets and liabilities

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (i.e. supported by little or no market activity).

Fair value of assets measured on a recurring basis at June 30, 2020, consist of various mutual and exchange-traded funds held with an investment brokerage:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity exchange-traded funds	\$1,310,897	\$1,310,897		
Bond exchange-traded funds	1,151,935	1,151,935		
Equity mutual funds	<u>271,452</u>	<u>271,452</u>		
Total	\$2,734,284	\$2,734,284		

Immigration Institute of the Bay Area

Notes to Financial Statements June 30, 2020

4. Net Assets with Donor Restrictions

The balance of net assets with donor restrictions at June 30, 2020, consisted of unspent awards restricted to the following activities:

General support for future periods	\$213,739
San Mateo County programs	145,833
Alameda and Contra Costa County programs	125,000
Silicon Valley programs	56,875
Outreach/Education	50,000
Napa County programs	20,000
Other projects & programs	<u>12,917</u>
Total	\$624,364

5. Office Leases

IIBA has entered into facility operating leases in San Francisco, Fremont, Redwood City, Napa, Brentwood and Oakland under agreements with various terms.

Future minimum lease payments as of June 30, 2020, are as follows:

2020-2021	\$286,829
2021-2022	240,151
2022-2023	215,723
2023-2024	149,992
2024-2025	<u>108,144</u>
Total future minimum lease payments	\$1,000,839

6. Retirement Plan

The Organization sponsors a 403(b) retirement plan for all eligible employees who elect to participate. The Organization matches up to 3% of participating employee's compensation. Total retirement plan expense for the year ended June 30, 2020 was \$60,328.

7. Contingencies, Risks & Uncertainties

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Organization's ability to conduct program activities or raise contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this situation cannot be reasonably estimated at this time.

Immigration Institute of the Bay Area

Notes to Financial Statements

June 30, 2020

Revenue Concentration

Approximately 33% of the Organization's total support and revenue is derived from cost-reimbursement grants with the California Department of Social Services (CDSS). Should funding from CDSS decrease, the Organization could experience a contraction of its services.

Funding Source Requirements

The Organization receives contributions and grants that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor conditions have been met for grants and contributions that have either been recorded as unrestricted or for which donor restrictions have been released.

Cash Deposits in Excess of FDIC Insurance Limits

The Organization maintains its cash deposits with several financial institutions. Such amounts may at times exceed Federal Deposit Insurance Corporation limits (currently \$250,000 per depositor per institution), however, management believes the risk of loss is minimal. Total uninsured cash was approximately \$777,000 as of June 30, 2020.

8. Management's Liquidity Disclosure

The Organization's working capital and cash flows vary during the year based on the timing of grant awards and contributions, as well as seasonal variations attributable to special events. As part of the Organization's liquidity management plan, the Organization invests cash in excess of immediate requirements in a savings account.

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash & equivalents	\$1,565,432
Investments	2,734,284
Grants & contacts receivable	794,992
Less: net assets with purpose restrictions	<u>(410,625)</u>
Total	\$4,684,083

9. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 14, 2021, the date the financial statements were available to be issued.