

THE REFUGEE CENTER ONLINE  
Audited Consolidated Financial Statements  
For the Year Ended December 31, 2018



MCDONALD JACOBS

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Refugee Center Online

We have audited the accompanying consolidated financial statements of The Refugee Center Online (a nonprofit corporation), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the consolidated 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 organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Refugee Center Online as of December 31, 2018, and 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.

*McDonald Jacobson, P.C.*

Portland, Oregon  
June 25, 2019

THE REFUGEE CENTER ONLINE  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
December 31, 2018

ASSETS

Cash and cash equivalents	\$ 360,269
Pledges receivable	21,373
Other assets	2,631
Property and equipment, net	<u>75,846</u>
 TOTAL ASSETS	 <u>\$ 460,119</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 26,505
Accrued expenses	<u>12,302</u>
Total liabilities	<u>38,807</u>
 Net assets:	
Without donor restrictions:	
Undesignated	208,367
Net property and equipment	<u>75,846</u>
Total without donor restrictions	284,213
With donor restrictions	<u>137,099</u>
Total net assets	<u>421,312</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 460,119</u>

See notes to consolidated financial statements.

THE REFUGEE CENTER ONLINE  
CONSOLIDATED STATEMENT OF ACTIVITIES  
For the year ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Support and revenue:</b>			
Contributions and grants	\$ 373,560	\$ 599,024	\$ 972,584
Other support and revenue	19,887	-	19,887
Net assets released from restrictions:			
Satisfaction of program restrictions	466,220	(466,220)	-
Satisfaction of time restrictions	50,000	(50,000)	-
Total support and revenue	<u>909,667</u>	<u>82,804</u>	<u>992,471</u>
 <b>Expenses:</b>			
Program	518,699	-	518,699
Management and general	120,404	-	120,404
Fundraising	44,118	-	44,118
Total expenses	<u>683,221</u>	<u>-</u>	<u>683,221</u>
 Change in net assets	226,446	82,804	309,250
 <b>Net assets:</b>			
Beginning of year	<u>57,767</u>	<u>54,295</u>	<u>112,062</u>
 End of year	<u>\$ 284,213</u>	<u>\$ 137,099</u>	<u>\$ 421,312</u>

See notes to consolidated financial statements.

THE REFUGEE CENTER ONLINE  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
For the year ended December 31, 2018

	Program					Total	
	Community	Education	Resources	Program	Management and General		
Salaries and related costs	\$ 51,318	\$ 117,384	\$ 139,247	\$ 307,949	\$ 32,903	\$ 21,397	\$ 362,249
Professional fees	14,605	17,731	41,036	73,372	59,100	11,209	143,681
Program outreach	21,680	12,041	5,079	38,800	265	1,873	40,938
Information technology	2,357	27,818	8,064	38,239	1,782	175	40,196
Rent	3,240	5,666	6,231	15,137	4,889	882	20,908
Content development	19,612	8,542	8,001	36,155	349	-	36,504
Travel and meetings	1,128	3,198	4,027	8,353	10,619	1,117	20,089
Miscellaneous	330	-	364	694	10,497	7,465	18,656
Total expenses	\$ 114,270	\$ 192,380	\$ 212,049	\$ 518,699	\$ 120,404	\$ 44,118	\$ 683,221

See notes to consolidated financial statements.

THE REFUGEE CENTER ONLINE  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended December 31, 2018

<b>Cash flows from operating activities:</b>	
Cash received from donors	\$ 1,014,667
Cash received from other activities	3,125
Cash paid to employees	(352,536)
Cash paid to suppliers	<u>(272,291)</u>
Net cash flows from operating activities	<u>392,965</u>
<b>Cash flows from investing activities:</b>	
Purchase of property and equipment	<u>(76,567)</u>
Net cash flows from investing activities	<u>(76,567)</u>
Net change in cash and cash equivalents	316,398
Cash and cash equivalents - beginning of year	<u>43,871</u>
Cash and cash equivalents - end of year	<u><u>\$ 360,269</u></u>

See notes to consolidated financial statements.

THE REFUGEE CENTER ONLINE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2018

1. DESCRIPTION OF ORGANIZATION

The Refugee Center Online (the Organization) is a nonprofit organization established in 2011. The Organization's mission is to use the power of technology to connect refugees, asylum seekers and immigrants to information and education to build a new life in the United States. Through free online multilingual resources, people are able to access relevant information and classes to navigate life in a new place. Information and tools for receiving communities empower supporters to create more welcoming communities for all. Effective May 2019, The Refugee Center Online became USAHello.

The Organization's programs are as follows:

Community

The Refugee Center Online believes in the value of lived experiences and human connection. Through the popular *Voices* features in the website, those who have come as immigrants themselves are able to share their own stories of challenge and triumph as they learned to navigate life in a new country. The Refugee Center Online's social media presence works to share valuable information for newcomers and creates a place to highlight relevant policy updates and news as well as to highlight the positive contributions of newcomers and the communities that welcome them.

Education

The Refugee Center Online's free self-paced classes use dual language technology to help students prepare for the GED and Citizenship tests in the US. In 2018, the online classroom had over 50,000 enrollments. For the receiving community, the Refugee Center Online also features a credit earning course for teachings working with immigrant and refugee students in the classroom along with articles and resources for those who are seeking to volunteer with refugees in their local community.

Resources

There are many challenging things about coming to a new country and the Refugee Center Online believes that accessing accurate information should not be one of them. The Refugee Center Online's website features articles on everything from how to register for school to how to buy a car to understanding local culture and customs. Resource articles are available in multiple languages. Additionally, the Refugee Center Online launched an app in 2019, FindHello, in partnership with UNHCR (The UN Refugee Agency). The app connects newcomers to services like ESL classes, health clinics and ethnic food stores in their local communities.

THE REFUGEE CENTER ONLINE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the accounts of The Refugee Center Online and Italia Hello, the Organization's Italian operation. All significant inter-organization amounts have been eliminated in consolidation.

Net Assets

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

- *Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organizations considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents.

Pledges Receivable

Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Organizations is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. All pledges receivable at December 31, 2018 are estimated to be collectible within one year.

THE REFUGEE CENTER ONLINE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Income Tax Status

The Refugee Center Online is a nonprofit corporation exempt from income tax under section 501(c)(3) of the Internal Revenue Code and applicable state law. Based on certain tax law changes, the Organization may be subject to unrelated business income tax on taxable fringe benefits. Any provision for income taxes associated with these changes is reflected in the accompanying consolidated financial statements. The Organization is not a private foundation.

Italia Hello is a nonprofit corporation established under the Articles of Italian Legislation.

The Organization follows the provisions of FASB ASC Topic *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the consolidated financial statements to comply with provisions of this Topic.

Property and Equipment

Management reviews acquisitions of property and equipment to determine any items to be capitalized based on estimated useful lives and future benefit to the Organization. Property and equipment purchased are recorded at cost. Donated assets are reflected as contributions at their estimated values on the date received.

Depreciation

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets.

Donated Assets and Services

Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization recognized \$2,800 of donated goods and \$12,100 of donated services during 2018.

THE REFUGEE CENTER ONLINE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include rent, which are allocated on a percentage of payroll expense, as well as salaries and related costs, professional fees, program, information technology, content, travel and meetings, and other, which are allocated on the basis of estimates of time and effort.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Organization has evaluated all subsequent events through June 25, 2019, the date the consolidated financial statements were available to be issued.

3. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

Financial assets of the Organization consist of the following at December 31, 2018:

Cash and equivalents	\$ 360,269
Less cash reserve for Italian operations	(34,000)
Less cash held with donor restrictions	(137,099)
Contributions for general expenditures due in one year or less	<u>21,373</u>
Total available for general expenditures	<u><u>\$ 210,543</u></u>

THE REFUGEE CENTER ONLINE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2018:

Furniture and equipment	\$	7,992
Website and app development in process		<u>68,575</u>
		76,567
Accumulated depreciation		<u>(721)</u>
Property and equipment, net	\$	<u><u>75,846</u></u>

5. LEASE COMMITMENTS

The Organization leases administrative facilities under various operating lease agreements with terms summarized below:

- U.S. administrative office, term March 2018 through February 2020, initial monthly rent of \$1,400 with annual escalations
- Italy administrative office, month-to-month basis, with monthly rent of \$584

Rent expense for the above leases totaled approximately \$20,900 for the year ended December 31, 2018.

Future minimum lease commitments for the non-cancellable lease are as follows:

Year ending December 31, 2019	\$	17,300
2020		<u>2,900</u>
Total	\$	<u><u>20,200</u></u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2018:

FindHello App and resources	\$	30,099
Personnel and travel costs		<u>107,000</u>
Total net assets with donor restrictions	\$	<u><u>137,099</u></u>

THE REFUGEE CENTER ONLINE  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED  
December 31, 2018

7. **CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash balances in several financial institutions. Balances in each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The balances, at times, may exceed the federally insured limit. Balances in excess of insured limits were approximately \$108,000 as of December 31, 2018. (This includes approximately US \$80,000 in an Italian bank account).

The Organization's revenues are concentrated with 71% of total revenues coming from two sources for the year ended December 31, 2018.

8. **RELATED PARTY DISCLOSURE**

Certain board members are business owners in the community. At times, the Organization enters into transactions with companies where board members are key employees or owners. In addition, the Organization received grants approximating 12% of revenues from grantors where board members or their family members are affiliated.