

MID-SOUTH IMMIGRATION ADVOCATES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018 and 2017

MID-SOUTH IMMIGRATION ADVOCATES, INC.
TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position.....	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses.....	5
Statements of Cash Flows	7
Notes to the Financial Statements	8



Independent Auditor's Report

To the Board of Directors
Mid-South Immigration Advocates, Inc.
Memphis, Tennessee

We have audited the accompanying financial statements of Mid-South Immigration Advocates, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets, 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. 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 Mid-South Immigration Advocates, Inc. as of December 31, 2018 and 2017, 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.

Alexander Thompson Arnold PLLC

Memphis, Tennessee

June 10, 2019

MID-SOUTH IMMIGRATION ADVOCATES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 59,091	\$ 77,789
Grants receivable	49,986	77,869
Accounts receivable	11,050	4,619
Prepaid expenses	981	5,842
Total current assets	<u>121,108</u>	<u>166,119</u>
Property and equipment		
Computer equipment	1,400	1,400
Furniture and equipment	911	911
	<u>2,311</u>	<u>2,311</u>
Less accumulated depreciation	<u>(1,606)</u>	<u>(1,235)</u>
Net property and equipment	<u>705</u>	<u>1,076</u>
Total assets	<u><u>\$ 121,813</u></u>	<u><u>\$ 167,195</u></u>
Liabilities and Net Assets		
Current liabilities		
Accrued expenses	\$ 10,279	\$ 7,002
Payroll liabilities	5,115	4,742
Trust account liabilities	9,372	5,427
Total current liabilities	<u>24,766</u>	<u>17,171</u>
Net assets		
Without donor restrictions	97,047	150,024
With donor restrictions	-	-
Total net assets	<u>97,047</u>	<u>150,024</u>
Total liabilities and net assets	<u><u>\$ 121,813</u></u>	<u><u>\$ 167,195</u></u>

The accompanying notes are an integral part of these financial statements.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue and support		
Government grants	\$ 402,200	\$ 436,549
Program revenue	21,739	4,650
Contributions	9,674	25,886
In-kind donations	-	4,800
Miscellaneous income	1,192	2,217
Total revenue and support	<u>434,805</u>	<u>474,102</u>
Functional expenses		
Program services	435,696	388,313
Management and general	52,086	34,327
Total functional expenses	<u>487,782</u>	<u>422,640</u>
Increase (decrease) in net assets	(52,977)	51,462
Net assets at beginning of year	<u>150,024</u>	<u>98,562</u>
Net assets at end of year	<u><u>\$ 97,047</u></u>	<u><u>\$ 150,024</u></u>

The accompanying notes are an integral part of these financial statements.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Management and General	Total
Expenses			
Advertising	\$ 780	\$ -	\$ 780
Bad debt	2,955	-	2,955
Bank service charges	394	-	394
Computer expense	4,928	-	4,928
Contractual services	150,386	-	150,386
Depreciation	334	37	371
Employee benefits	10,200	1,800	12,000
Filing fees	5,511	-	5,511
Insurance	12,357	1,373	13,730
Job materials	623	-	623
Meals & entertainment	207	-	207
Miscellaneous expense	5,237	582	5,819
Office supplies	4,381	231	4,612
Payroll fees	1,091	121	1,212
Payroll taxes	14,722	2,598	17,320
Postage and shipping	6,789	357	7,146
Professional fees	-	8,446	8,446
Rent	13,305	1,478	14,783
Retirement match	2,479	437	2,916
Salaries	191,348	34,032	225,380
Travel	2,327	-	2,327
Utilities	5,342	594	5,936
Total expenses	<u>\$ 435,696</u>	<u>\$ 52,086</u>	<u>\$ 487,782</u>

The accompanying notes are an integral part of these financial statements.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Management and General	Total
Expenses			
Advertising	\$ 177	\$ -	\$ 177
Bank service charges	269	-	269
Contractual services	133,297	-	133,297
Depreciation	334	37	371
Employee Benefits	6,880	1,720	8,600
Filing fees	3,106	-	3,106
Insurance	8,378	931	9,309
Miscellaneous expense	996	111	1,107
Office supplies	5,079	5,080	10,159
Payroll fees	1,156	128	1,284
Payroll taxes	14,757	1,640	16,397
Postage and shipping	5,548	616	6,164
Professional fees	9,021	1,592	10,613
Rent	9,810	1,090	10,900
Salaries	183,566	20,396	203,962
Travel	4,953	-	4,953
Utilities	986	986	1,972
Total expenses	<u>\$ 388,313</u>	<u>\$ 34,327</u>	<u>\$ 422,640</u>

The accompanying notes are an integral part of these financial statements.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Net increase (decrease) in net assets	\$ (52,977)	\$ 51,462
Adjustments to reconcile net increase in net assets to cash provided by (used in) operating activities		
Depreciation	371	371
Change in operating assets and liabilities		
Prepaid expenses	4,861	(5,842)
Accounts receivable	(6,431)	(2,539)
Grants receivable	27,883	(21,998)
Accrued expenses	3,277	(6,872)
Payroll liabilities	373	864
Trust account liabilities	3,945	447
Net cash provided by (used in) operating activities	<u>(18,698)</u>	<u>15,893</u>
Net increase (decrease) in cash	(18,698)	15,893
Cash and cash equivalents - beginning of year	<u>77,789</u>	<u>61,896</u>
Cash and cash equivalents - end of year	<u><u>\$ 59,091</u></u>	<u><u>\$ 77,789</u></u>

The accompanying notes are an integral part of these financial statements.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Mid-South Immigration Advocates, Inc. (the “Organization”) is a non-profit law firm in Memphis, Tennessee whose core mission is to provide low-cost immigration representation to low-income clients. The Organization provides direct representation and legal consultations to low-income immigrants residing within the Mid-South. The Organization is a non-profit corporation that was formed in 2013 in the State of Tennessee, and its operations are funded by fees for consultation and representation in addition to donations from individuals, corporations, and grants from government and non-profit organizations.

B. Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this basis of accounting, support and revenue are recognized in the period earned and expenses are recognized when incurred.

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources and disclosures related to functional allocation of expenses were expanded. As such, the financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions generally defined as follows:

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires. Until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

C. Cash and cash equivalents

The Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash includes checking accounts and a trust fund account. The trust fund consists of payments made by clients for which services have not yet been performed. The related liability account is included in current liabilities.

D. Grants and accounts receivable

Grants receivable consist of amounts billed to granting agencies for expenditures that have not yet been reimbursed. Accounts receivable consist of amounts due from clients. No allowance for doubtful accounts has been recorded, as all amounts due from various governmental agencies are expected to be paid in full and amounts due from clients are expected to be paid in full.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

E. Property and equipment

Property and equipment is stated at fair market value at the date of the contribution if contributed or at cost if purchased. For the year ended December 31, 2018, the Organization changed the capitalization threshold for purchased or contributed assets from. The new policy states that the Organization capitalizes any purchased or contributed assets greater than \$1,000 instead of \$10,000 as the previous policy stated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally three years for computer equipment and five years for furniture and fixtures.

F. Revenue and support

Grant support is recorded as respective expenditures for reimbursements are incurred. Revenue includes case and consultation fees and is recognized as the respective services are provided.

G. In-Kind Donations

In-kind donations of goods, professional services, facilities, property and equipment are recorded at their estimated fair market value at date of contribution. Unless the donor has restricted the donation, such donations are recorded as unrestricted support.

H. Functional allocation of expenses

The costs of providing programs and supporting services are summarized in the statement of functional expenses. Certain costs are allocated among the program and supporting services benefited. Amounts for payroll related items are all allocated to program services other than expenses for the managing director, which are allocated to management and general. Allocations for building, insurance, and depreciation related expenses are based on estimated square foot usage. Office related and miscellaneous expenses are allocated based on estimated usage percentage. All other expenses are allocated based on natural classification.

I. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Income taxes

The Organization is a non-profit corporation that is exempt from taxes under Section 501(c)(3) of the *Internal Revenue Code* and classified by the Internal Revenue Service as other than a private foundation.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2018	2017
Computer equipment	\$ 1,400	\$ 1,400
Furniture and equipment	911	911
	<u>2,311</u>	<u>2,311</u>
Less: accumulated depreciation	<u>1,606</u>	<u>1,235</u>
Property and equipment, net	<u>\$ 705</u>	<u>\$ 1,076</u>
Depreciation expense	<u>\$ 371</u>	<u>\$ 371</u>

NOTE 3 – CONCENTRATIONS OF RISK

The Organization maintains its cash balances in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk for cash and cash equivalents. Uninsured deposits were \$0 as of December 31, 2018 and 2017.

The Organization is primarily funded by government grant revenue. For the years ended December 31, 2018 and 2017, government grant funds accounted for 93% and 92% of total revenue, respectively. These grant funds were provided by two grantors.

NOTE 4 – CONTINGENCIES

The Organization receives government funding and is subject to being monitored or audited by government agencies. There is a possibility that the government agency will determine certain costs to be disallowable for reimbursement by the governmental agency.

NOTE 5 – RECLASSIFICATION

Certain amounts have been reclassified to conform to December 31, 2018 financial statement presentation. The reclassification did not have an effect on the prior increase (decrease) in net assets.

NOTE 6 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of December 31, 2018 and 2017:

	2018	2017
Cash and cash equivalents - unrestricted	\$ 49,719	\$ 72,362
Restricted cash - client deposits	<u>9,372</u>	<u>5,427</u>
Total cash and cash equivalents	<u>\$ 59,091</u>	<u>\$ 77,789</u>

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 7 – LIQUIDITY

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Organization's financial assets (cash and cash equivalents and accounts receivable) as of December 31, 2018 and 2017, reduced by amounts not available for general expenditures within one year.

	2018	2017
Financial assets:		
Cash and cash equivalents - unrestricted	\$ 49,719	\$ 72,362
Grants receivable	49,986	77,869
Accounts receivable	11,050	4,619
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 110,755</u>	<u>\$ 154,850</u>

NOTE 8 – OPERATING LEASES

The Organization leases office space and a copier. The copier lease is \$2,004 per year and expires in 2023. The office space for all of the year ended December 31, 2017 and most of the year ended December 31, 2018 was under a shared space agreement where the Organization split overhead such as cleaning and internet usage in addition to rents. The lease expired December 31, 2018 and was not renewed.

In August 2018, the Organization began leasing 2 suites in a commercial building for \$1,155 per month. In November 2018, the Organization added an additional suite in the building to their lease for an additional \$410 per month. Both of these leases will expire September 30, 2020.

The lease expense was \$14,783 and \$10,900 for the years ended 2018 and 2017, respectively.

The amount of future lease payments are as follows:

Year Ended December 31	
2019	\$ 20,599
2020	16,089
2021	2,004
2022	2,004
2023	2,004
Thereafter	-
	<u>\$ 42,700</u>

NOTE 9 – RETIREMENT PLAN

In 2018, the Organization began a Simple IRA retirement plan which covers all full-time employees who earn at least \$5,000. Employee contributions are made on a pre-tax basis. The Organization matches employee contributions in an amount equal to 100% of deferrals that are not in excess of 3% of compensation. Employer contributions for 2018 were \$2,916.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 10, 2019, the date the financial statements were available for issue.