

MID-SOUTH IMMIGRATION ADVOCATES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

MID-SOUTH IMMIGRATION ADVOCATES, INC.
TABLE OF CONTENTS

| | |
|---|------|
| | Page |
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Statements of Financial Position..... | 3 |
| Statements of Activities..... | 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, 2019 and 2018, 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. 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, 2019 and 2018, 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
November 11, 2020

MID-SOUTH IMMIGRATION ADVOCATES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|--------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 25,544 | \$ 59,091 |
| Grants receivable | 21,669 | 49,986 |
| Accounts receivable | 133,882 | 11,050 |
| Prepaid expenses | 4,337 | 981 |
| Total current assets | <u>185,432</u> | <u>121,108</u> |
| Property and equipment | | |
| Computer equipment | 1,400 | 1,400 |
| Furniture and equipment | 911 | 911 |
| Website in progress | 2,700 | - |
| | <u>5,011</u> | <u>2,311</u> |
| Less accumulated depreciation | <u>(1,906)</u> | <u>(1,606)</u> |
| Net property and equipment | <u>3,105</u> | <u>705</u> |
| Other Assets | | |
| Security deposits | 2,089 | - |
| Total other assets | <u>2,089</u> | <u>-</u> |
| Total assets | <u><u>\$ 190,626</u></u> | <u><u>\$ 121,813</u></u> |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 26,226 | \$ 10,279 |
| Payroll liabilities | 19,689 | 5,115 |
| Trust account liabilities | 900 | 9,372 |
| Total current liabilities | <u>46,815</u> | <u>24,766</u> |
| Net assets | | |
| Without donor restrictions | 124,565 | 97,047 |
| With donor restrictions | 19,246 | - |
| Total net assets | <u>143,811</u> | <u>97,047</u> |
| Total liabilities and net assets | <u><u>\$ 190,626</u></u> | <u><u>\$ 121,813</u></u> |

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

MID-SOUTH IMMIGRATION ADVOCATES, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2019 and 2018

| | 2019 | | | 2018 | | |
|--|----------------------------------|----------------------------|-------------------|----------------------------------|----------------------------|------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Revenue and support | | | | | | |
| Grant revenue | \$ 268,985 | \$ 14,500 | \$ 283,485 | \$ 213,175 | \$ - | \$ 213,175 |
| Program revenue | 429,797 | - | 429,797 | 210,764 | - | 210,764 |
| Contributions | 36,990 | 14,500 | 51,490 | 9,674 | - | 9,674 |
| Miscellaneous income | 2,482 | - | 2,482 | 1,192 | - | 1,192 |
| Total revenue and support | 738,254 | 29,000 | 767,254 | 434,805 | - | 434,805 |
| Reclassifications | | | | | | |
| Net assets released from restrictions | 9,754 | (9,754) | - | - | - | - |
| Total reclassifications | 9,754 | (9,754) | - | - | - | - |
| Functional expenses | | | | | | |
| Program services | 630,895 | - | 630,895 | 434,916 | - | 434,916 |
| Management and general | 89,595 | - | 89,595 | 52,866 | - | 52,866 |
| Total functional expenses | 720,490 | - | 720,490 | 487,782 | - | 487,782 |
| Increase (decrease) in net assets | 27,518 | 19,246 | 46,764 | (52,977) | - | (52,977) |
| Net assets at beginning of year | 97,047 | - | 97,047 | 150,024 | - | 150,024 |
| Net assets at end of year | <u>\$ 124,565</u> | <u>\$ 19,246</u> | <u>\$ 143,811</u> | <u>\$ 97,047</u> | <u>\$ -</u> | <u>\$ 97,047</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, 2019

| | Program Services | Management and General | Total |
|-----------------------|-----------------------------|-----------------------------------|-------------------|
| Expenses | | | |
| Advertising | \$ - | \$ 5,672 | \$ 5,672 |
| Bad debt | 8,665 | - | 8,665 |
| Bank service charges | 1,727 | - | 1,727 |
| Computer expense | 9,354 | - | 9,354 |
| Contractual services | 169,657 | - | 169,657 |
| Depreciation | 270 | 30 | 300 |
| Employee benefits | 9,945 | 1,755 | 11,700 |
| Filing fees | 6,384 | - | 6,384 |
| Insurance | 3,142 | 349 | 3,491 |
| Interest expense | - | 140 | 140 |
| Meals & entertainment | 793 | - | 793 |
| Miscellaneous expense | 4,923 | 547 | 5,470 |
| Office supplies | 7,961 | 419 | 8,380 |
| Payroll fees | 1,884 | 209 | 2,093 |
| Payroll taxes | 23,503 | 4,148 | 27,651 |
| Postage and shipping | 7,422 | 391 | 7,813 |
| Professional fees | - | 14,782 | 14,782 |
| Rent | 23,787 | 2,643 | 26,430 |
| Retirement match | 7,454 | 1,315 | 8,769 |
| Salaries | 317,523 | 56,474 | 373,997 |
| Travel | 20,011 | - | 20,011 |
| Utilities | 6,490 | 721 | 7,211 |
| Total expenses | <u>\$ 630,895</u> | <u>\$ 89,595</u> | <u>\$ 720,490</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>\$ 434,916</u> | <u>\$ 52,866</u> | <u>\$ 487,782</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, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------------|-------------------------|
| Cash flows from operating activities | | |
| Net increase (decrease) in net assets | \$ 46,764 | \$ (52,977) |
| Adjustments to reconcile net increase (decrease) in net assets to cash used in operating activities | | |
| Depreciation | 300 | 371 |
| Change in operating assets and liabilities | | |
| Prepaid expenses | (3,356) | 4,861 |
| Accounts receivable | (122,832) | (6,431) |
| Grants receivable | 28,317 | 27,883 |
| Security deposits | (2,089) | - |
| Accounts payable and accrued expenses | 15,947 | 3,277 |
| Payroll liabilities | 14,574 | 373 |
| Trust account liabilities | (8,472) | 3,945 |
| Net cash used in operating activities | <u>(30,847)</u> | <u>(18,698)</u> |
| Cash flows from investing activities | | |
| Net purchases of software and website development - in progress | <u>(2,700)</u> | <u>-</u> |
| Net cash used in investing activities | <u>(2,700)</u> | <u>-</u> |
| Net decrease in cash | (33,547) | (18,698) |
| Cash and cash equivalents - beginning of year | <u>59,091</u> | <u>77,789</u> |
| Cash and cash equivalents - end of year | <u><u>\$ 25,544</u></u> | <u><u>\$ 59,091</u></u> |

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

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 and governmental agencies. Management provides for probable uncollectible amounts through a charge to earnings and to credit to the allowance for doubtful accounts based on its assessment of the current status

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to accounts receivable. An allowance for doubtful accounts is based upon a credit review of the accounts receivable, past experience, current economic conditions, and other pertinent factors which form a basis for determining the adequacy of the provision. The allowance represents an estimate by management based upon these and other factors and it is at least reasonably possible that a change in the estimate will occur in the near term. 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.

E. Property and equipment

Property and equipment are stated at fair market value at the date of the contribution if contributed or at cost if purchased. The Organization capitalizes any purchased or contributed assets greater than \$1,000. 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. Program revenue includes case and consultation fees and service fees from contracts with federal and state government agencies and is recognized as the respective services are provided.

Contributions are recognized as revenue when the contributions or promises to give are unconditional. Contributions that are received or promised to give that are conditional, i.e. the Organization must fulfill an obligation before the right to use the contribution is transferred, are recognized as revenue when the obligation is fulfilled. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor restricted contributions and grants are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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.

K. Advertising

The Organization expenses advertising costs as incurred.

L. Adoption of New Accounting Standards

The Financial Accounting Standards Board (FASB) issued new guidance that created *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This new guidance was issued to clarify the existing guidance and resolve diversity in practice in characterizing grants and similar contracts with resource providers as either exchange transactions or contributions. In addition, once a transaction is determined to be a contribution, it addresses the difficulty in distinguishing between conditions on which a promised contribution depends and donor-imposed restrictions. It also amended previous guidance to allow organizations to elect a policy, independent of the elections for other donor-restricted contributions and investment return, to report restricted contributions that were initially conditional as increases in net assets without donor restrictions.

The Organization adopted the new standard as of January 1, 2019 using the modified retrospective approach.

The Organization has analyzed the provisions of the FASB's *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* and has concluded that the implementation of this new standard had no material effect on how contribution revenue is recognized.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 2 – NET ASSETS WITH DONOR RESTRICTIONS

The Organization had net assets with donor restrictions as indicated below:

| | 2019 | 2018 |
|---------------------------|------------------|-------------|
| Resource development plan | \$ 19,246 | \$ - |
| | <u>\$ 19,246</u> | <u>\$ -</u> |

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

| | 2019 | 2018 |
|--------------------------------|-----------------|---------------|
| Computer equipment | 1,400 | 1,400 |
| Furniture and equipment | 911 | 911 |
| Website in progress | 2,700 | - |
| | <u>5,011</u> | <u>2,311</u> |
| Less: accumulated depreciation | <u>1,906</u> | <u>1,606</u> |
| Property and equipment, net | <u>\$ 3,105</u> | <u>\$ 705</u> |
| Depreciation expense | <u>\$ 300</u> | <u>\$ 371</u> |

NOTE 4 – 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, 2019 and 2018.

The Organization is primarily funded by grant and program services revenue. For the years ended December 31, 2019 and 2018, grant and program service funds accounted for 93% and 98% of total revenue, respectively. These funds were provided by governmental agencies, either directly or passed through to the Organization.

NOTE 5 – 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 6 – RECLASSIFICATION

Certain amounts have been reclassified to conform to December 31, 2019 financial statement presentation. The reclassification did not have an effect on the prior increase (decrease) in net assets.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 7 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of December 31, 2019 and 2018:

| | 2019 | 2018 |
|--|------------------|------------------|
| Cash and cash equivalents - unrestricted | \$ 24,644 | \$ 49,719 |
| Restricted cash - client deposits | 900 | 9,372 |
| Total cash and cash equivalents | <u>\$ 25,544</u> | <u>\$ 59,091</u> |

NOTE 8 – 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, 2019 and 2018, reduced by amounts not available for general expenditures within one year.

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Financial assets: | | |
| Cash and cash equivalents - unrestricted | \$ 24,644 | \$ 49,719 |
| Grants receivable | 21,669 | 49,986 |
| Accounts receivable | 133,882 | 11,050 |
| Less: net assets with donor restrictions | <u>(19,246)</u> | <u>-</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 160,949</u> | <u>\$ 110,755</u> |

NOTE 9 – OPERATING LEASES

The Organization leases office space, computer networking equipment, a postage machine, and copiers. The copier leases and the postage machine equipment lease are not material.

In August 2018, the Organization began leasing two 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. During June 2019, the Organization's lessor consolidated the two previous leases into a three year lease with an additional suite added for a total new lease amount of \$2,089 per month. This lease had not expired, but during 2020, the lessor converted the existing lease into a new three year lease beginning July 2020 and ending June 2023, with an average monthly payment of \$2,868 per month.

In June 2020, the Organization began leasing office space in Nashville, Tennessee for twelve months at \$1,483 per month.

MID-SOUTH IMMIGRATION ADVOCATES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

The office space lease expense was \$20,850 and \$14,783 for the years ended 2019 and 2018, respectively.

The Organization also entered into several leases for computer/internet networking equipment and installation and short-term service agreements for the Memphis office and the Nashville office. The terms of the leases are as follows:

- 1) Memphis Office Network 1 – 51 month lease beginning July 2019 for monthly payment of \$179.85 plus taxes
- 2) Memphis Office Network 2 – 39 month lease beginning July 2020 for monthly payment of \$356 plus taxes
- 3) Nashville Office Network – 60 month lease beginning September 2020 for monthly payment of \$275 plus taxes

The amount of future lease payments are as follows:

| Year Ended December 31 | |
|------------------------|-------------------|
| 2020 | \$ 50,635 |
| 2021 | 58,807 |
| 2022 | 52,411 |
| 2023 | 33,594 |
| 2024 | 9,040 |
| Thereafter | 4,998 |
| | <u>\$ 209,485</u> |

NOTE 10 – 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 2019 and 2018 were \$8,769 and \$2,916, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 11, 2020, the date the financial statements were available for issue.

In early 2020, the spread of the novel coronavirus began to cause some business disruption throughout our geographic markets. While the disruption is expected to be temporary, there is considerable uncertainty around the duration. The Organization is considered an essential service and has been able to continue operations. However, should the disruption negatively impact the Organization's vendors, donors, grantors, or clients, or continue for an extended period it may negatively impact operating results. Management cannot reasonably estimate the related financial impact and duration at this time.