

SAFE PASSAGE PROJECT CORPORATION

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2018 AND 2017

SAFE PASSAGE PROJECT CORPORATION

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Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002
www.skodyscot.com

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Safe Passage Project Corporation

We have audited the accompanying financial statements of Safe Passage Project Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, 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 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 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 Safe Passage Project Corporation 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.

New York, NY
October 11, 2019

Skody Scot & Company, CPAs, P.C.

SAFE PASSAGE PROJECT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 2,709,841	\$ 996,012
Contributions receivable	893,611	525,305
Investments	101,355	102,039
Prepaid expenses and other assets	3,440	-
	\$ 3,708,247	\$ 1,623,356

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 79,392	\$ 22,336
Total liabilities	79,392	22,336
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	2,283,855	1,271,020
With donor restrictions	1,345,000	330,000
Total net assets	3,628,855	1,601,020
Total liabilities and net assets	\$ 3,708,247	\$ 1,623,356

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:						
Contributions	\$ 2,514,808	\$ 1,245,000	\$ 3,759,808	\$ 1,631,032	\$ 330,000	\$ 1,961,032
Contributions in-kind	296,493	-	296,493	222,451	-	222,451
Government grants	358,371	-	358,371	293,528	-	293,528
Investment return	3,424	-	3,424	1,412	-	1,412
Net assets released from restriction:						
Satisfaction of purpose restrictions	90,000	(90,000)	-	7,036	(7,036)	-
Satisfaction of time restrictions	140,000	(140,000)	-	50,000	(50,000)	-
Total support and revenues	3,403,096	1,015,000	4,418,096	2,205,459	272,964	2,478,423
Expenses:						
Program Expenses:						
Immigration assistance	1,978,900	-	1,978,900	1,387,693	-	1,387,693
Total program expenses	1,978,900	-	1,978,900	1,387,693	-	1,387,693
Management and general	211,306	-	211,306	139,039	-	139,039
Fundraising	200,055	-	200,055	79,419	-	79,419
Total expenses	2,390,261	-	2,390,261	1,606,151	-	1,606,151
Increase/(decrease) In Net Assets:	1,012,835	1,015,000	2,027,835	599,308	272,964	872,272
Net assets, beginning of year	1,271,020	330,000	1,601,020	671,442	57,306	728,748
Net assets, end of year	\$ 2,283,855	\$ 1,345,000	\$ 3,628,855	\$ 1,270,750	\$ 330,270	\$ 1,601,020

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Immigration Assistance</u>	<u>Management & General</u>	<u>Fundraising</u>	
Staff salaries	\$ 1,296,149	\$ 110,874	\$ 74,908	\$1,481,931
Payroll taxes	102,766	8,791	5,939	117,496
Employee benefits	27,831	2,381	1,608	31,820
Bad debt	-	6,250	-	6,250
Client welfare expenses	14,304	-	-	14,304
Consultants & contractors	144,985	6,719	48,838	200,542
Cost of living allowances	2,281	-	-	2,281
Event costs	-	-	36,974	36,974
Insurance	5,915	505	342	6,762
Office supplies & expenses	34,511	23,732	12,462	70,705
Professional fees	121,599	33,026	5,969	160,594
Program sub-grants	5,000	-	-	5,000
Rent	177,757	15,205	10,273	203,235
Staff development & training	14,268	1,221	824	16,313
Telephone & communications	3,475	201	297	3,973
Travel and meetings	28,059	2,401	1,621	32,081
Total expenses	<u>\$ 1,978,900</u>	<u>\$ 211,306</u>	<u>\$ 200,055</u>	<u>\$2,390,261</u>

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
	<u>Immigration Assistance</u>	<u>Management & General</u>	<u>Fundraising</u>	
Staff salaries	\$ 912,941	\$ 83,965	\$ 52,469	\$1,049,375
Payroll taxes	69,811	6,420	4,193	80,424
Employee benefits	18,421	1,693	1,059	21,173
Client welfare expenses	13,522	-	-	13,522
Consultants & contractors	80,521	900	6,300	87,721
Cost of living allowances	33,624	-	-	33,624
Insurance	7,434	684	427	8,545
Office supplies & expenses	46,280	4,255	6,527	57,062
Professional fees	24,148	27,612	-	51,760
Program sub-grants	10,667	-	-	10,667
Rent	132,285	10,012	6,258	148,555
Staff development & training	15,250	1,403	876	17,529
Telephone & communications	2,682	247	154	3,083
Travel and meetings	20,107	1,848	1,156	23,111
Total expenses	<u>\$ 1,387,693</u>	<u>\$ 139,039</u>	<u>\$ 79,419</u>	<u>\$1,606,151</u>

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 2,027,835	\$ 872,272
Adjustments for non-cash items included in operating activities:		
Bad debt	6,250	-
(Gains)/losses on sales of investments	(893)	316
Donation of investments	(101,170)	(109,826)
Changes in assets and liabilities:		
Accounts payable and accrued expenses	57,056	8,363
Deferred income	-	(50,000)
Contributions receivable	(374,556)	(460,639)
Prepaid expenses and other assets	(3,440)	-
Net cash provided/(used) by operating activities	1,611,082	260,486
Cash flows from investing activities:		
Sale of investments	102,747	161,334
Net cash provided/(used) by investing activities	102,747	161,334
Cash flows from financing activities	-	-
Net increase/(decrease) in cash and cash equivalents	1,713,829	421,820
Cash and cash equivalents, at beginning of year	996,012	574,192
Cash and cash equivalents, at end of year	\$ 2,709,841	\$ 996,012

See accompanying notes to the financial statements.

SAFE PASSAGE PROJECT CORPORATION NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Organization

Safe Passage Project Corporation (Organization), a not-for-profit organization, was incorporated in the State of New York on May 13, 2013. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from contributions.

The Organization's mission is to address unmet legal needs of immigrant youth living in the New York City area. Safe Passage Project fundamentally believes no child should face the immigration process alone. Safe Passage Project provides comprehensive legal services to immigrant children facing deportation through direct representation, and through mentoring and training pro bono attorneys to take on cases.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Change in Accounting Principle

In 2018, the Organization adopted all reporting changes required under FASB ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Accordingly, all amounts on the 2018 and 2017 financial statements have been reclassified to conform to the new presentation requirements. All required disclosures have been incorporated and included on the accompanying financial statements and in these notes.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries based on estimated time and other expenses including rent, insurance, office expenses, telephone & communications, and consultants are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as management and general expenses.

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets, revenue, 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. This classification includes net assets designated by the board or management for a specified purpose.

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 (endowment), where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as support with donor restrictions and increases in the respective class of net assets. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization received several grants from governmental agencies. In accordance with the grant provisions, the Organization either receives grant funds following the disbursement of approved expenses or is authorized to receive funds in advance of anticipated expenditures. All unreimbursed expenses as of period-end are recorded as grant receivables and all advanced funds not expended are recorded as deferred income.

Investments

All marketable debt and equity securities and mutual funds are measured at fair value on a recurring basis and are reported at their fair values as of December 31, 2018 and 2017 in the statements of financial position.

The Organization initially records investments it receives as donations at the fair value as of the dates the investments are donated to the Organization and thereafter carries such investments at current fair values.

Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows.

Note 2 - Fair Value Measurement of Investments

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange traded funds.

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, and government debt securities.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 2 - Fair Value Measurement of Investments (continued)

The following summarizes the valuation of the Organization's investments by the above fair value hierarchy levels as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Level 1	\$ 101,355	\$ 102,039
Level 2	-	-
Level 3	-	-
Total	<u>\$ 101,355</u>	<u>\$ 102,039</u>

Note 3 - Investments

Investments consisted of the following at December 31, 2018:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
ETFs	\$ 104,254	\$ 101,355	\$(2,899)
Total investments	<u>\$ 104,254</u>	<u>\$ 101,355</u>	<u>\$(2,899)</u>

Investments consisted of the following at December 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
ETFs	\$ 104,254	\$ 102,039	\$(2,215)
Total investments	<u>\$ 104,254</u>	<u>\$ 102,039</u>	<u>\$(2,215)</u>

Note 4 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Bank deposits and cash	\$ 2,439,907	\$ 831,206
Money market funds	<u>269,934</u>	<u>164,806</u>
	<u>\$ 2,709,841</u>	<u>\$ 996,012</u>

Note 5 - Related Party Transactions

One of the Organization's board members is also an employee of the Organization. For the years ended December 31, 2018 and 2017, the total salary paid to the board member amounted to \$137,648 and \$101,157.

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 6 - In-Kind Services

Significant services and facilities were donated to the Organization by various organizations and meet the criteria for being recognized as contributions in accordance with GAAP. Amounts are recorded at their estimated fair market values at the date of donation using published rates and prices.

For the years ended December 31, 2018 and 2017, \$296,493 and \$222,451, respectively, was received and reported as contributions in-kind on the accompanying statements of activities and mainly consisted of donated office and program space, pro bono legal and other professional services.

Various individuals volunteered their time to perform a variety of tasks that assist the Organization. The majority of volunteers provide pro bono legal assistance to immigrants. An average case requires 35 hours of legal work to complete. Pro bono attorneys worked on 496 and 514 cases during the years ended December 31, 2018 and 2017, respectively. The value of the contributed time is not being disclosed due to a lack of an objective valuation.

Note 7 - Net Assets With Donor Restrictions

As of December 31, 2018 and 2017, net assets with donor restrictions are available in future years as follows:

	<u>2018</u>	<u>2017</u>
2018 activities	\$ -	\$ 140,000
2019 activities	666,500	50,000
2020 activities	333,000	-
2021 activities	33,000	-
Services for immigrant children	287,500	140,000
Safe Passage in schools	<u>25,000</u>	<u>-</u>
	<u>\$ 1,345,000</u>	<u>\$ 330,000</u>

Note 8 - Contributions Receivable

Promises to give are unconditional and nonreciprocal. Long-term pledges are not discounted as of December 31, 2017 because the discount has been deemed immaterial due to prevailing low interest rates. As of December 31, 2018 and 2017, pledges are expected to be realized in the following periods:

	<u>2018</u>	<u>2017</u>
In one year or less	\$ 893,611	\$ 475,305
Between one and two years	<u>-</u>	<u>50,000</u>
	\$ 893,611	\$ 525,305

All receivables are expected to be realized, therefore, no allowance for uncollectible receivables was recorded as of December 31, 2018 and 2017.

SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS

Note 9 - Government Grants

The Organization was awarded various grants by governmental entities. During the years ended December 31, 2018 and 2017, total grant revenue recognized under the grants amounted to \$358,371 and \$293,528, respectively.

Note 10 - Concentrations

The Organization maintains its checking and investment accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation (SIPC) insures cash and securities, including money market funds, up to \$500,000 per financial institution. At times, the balances of the accounts have exceeded the insured limits during the years ended December 31, 2018 and 2017.

Note 11 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of December 31, 2018 and 2017, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	2018	2017
Financial assets:		
Cash and cash equivalents	\$ 2,709,841	\$ 996,012
Contributions receivable	893,611	525,305
Investments	101,355	102,039
Total financial assets	3,704,807	1,623,356
Less those unavailable for general		
Expenditures within one year:		
Receivables expected to be received over one year	(-)	(50,000)
Contributions restricted for 2020 activities	(333,000)	(-)
Contributions restricted for 2021 activities	(33,000)	(-)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,338,807	\$ 1,573,356

**SAFE PASSAGE PROJECT CORPORATION
NOTES TO FINANCIAL STATEMENTS**

Note 12 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through October 11, 2019, which is the date the financial statements were available to be issued.