

PROJECT CITIZENSHIP, INC.

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

YEAR ENDED DECEMBER 31, 2017

Smith  Sullivan
& Brown PC
CERTIFIED PUBLIC ACCOUNTANTS

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PROJECT CITIZENSHIP, INC.
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

Mission Statement

Project Citizenship is a nonprofit agency that provides free, high quality services to legal permanent residents to help them become U.S citizens. Project Citizenship offers free workshops, eligibility screening, application assistance, legal referrals and all materials needed to apply for U.S. citizenship. In addition, Project Citizenship works collaboratively with community-based partners in New England to provide a range of support services, civics instruction, application assistance, and ESOL classes.

PROJECT CITIZENSHIP, INC.
REPORT ON FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Project Citizenship, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Project Citizenship, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, 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.

Auditors' 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 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 Organization'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 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 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 Project Citizenship, Inc. as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Smith, Sullivan & Brown, PC

Westborough, Massachusetts
April 27, 2018

PROJECT CITIZENSHIP, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 496,699
Prepaid Expenses	<u>13,259</u>
Total Current Assets	<u>509,958</u>

TOTAL ASSETS \$ 509,958

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable and Accrued Expenses	\$ 2,767
Accrued Payroll and Related Expenses	<u>9,706</u>
Total Current Liabilities	<u>12,473</u>

TOTAL LIABILITIES 12,473

NET ASSETS:

Unrestricted Net Assets	492,385
Temporarily Restricted Net Assets	<u>5,100</u>
Total Net Assets	<u>497,485</u>

TOTAL LIABILITIES AND NET ASSETS \$ 509,958

PROJECT CITIZENSHIP, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>			
Gifts, Grants and Contributions	\$ 746,291	\$ -	\$ 746,291
Donated Services and Goods	2,723,499	-	2,723,499
Interest and Other Income	920	-	920
Total Support and Revenues	<u>3,470,710</u>	<u>-</u>	<u>3,470,710</u>
<i>Reclassification of Net Assets:</i>			
Net Assets Released from Restriction	<u>126,838</u>	<u>(126,838)</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>3,597,548</u>	<u>(126,838)</u>	<u>3,470,710</u>
<u>FUNCTIONAL EXPENSES:</u>			
Program Services	3,159,095	-	3,159,095
Administrative	73,596	-	73,596
Fundraising	<u>33,085</u>	<u>-</u>	<u>33,085</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>3,265,776</u>	<u>-</u>	<u>3,265,776</u>
<u>CHANGE IN NET ASSETS</u>	331,772	(126,838)	204,934
<u>NET ASSETS - BEGINNING OF YEAR</u>	<u>160,613</u>	<u>131,938</u>	<u>292,551</u>
<u>NET ASSETS - END OF YEAR</u>	<u>\$ 492,385</u>	<u>\$ 5,100</u>	<u>\$ 497,485</u>

PROJECT CITIZENSHIP, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND-</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL</u> <u>EXPENSES</u>
Donated Services and Goods	\$ 2,723,499	\$ -	\$ -	\$ 2,723,499
Salaries and Wages	190,642	27,620	20,574	238,836
Payroll Taxes and Workers Compensation Insurance	15,974	2,314	1,724	20,012
Employee Benefits	1,588	708	1,063	3,359
AmeriCorps Service Members	60,752	-	-	60,752
Professional Fees and Consultants	-	26,839	618	27,457
Grants to Community Partners	28,400	-	-	28,400
Rent and Utilities	95,319	4,601	1,913	101,833
Office Supplies and Expenses	14,705	3,472	3,014	21,191
Information Technology	1,791	845	-	2,636
Dues, Fees and Licenses	3,839	3,716	1,075	8,630
Advertising and Promotion	3,611	-	1,864	5,475
Insurance	-	1,752	-	1,752
Staff Recruitment and Development	1,290	-	434	1,724
Conferences and Meetings	5,514	121	192	5,827
Travel	4,678	13	432	5,123
Event and Workshop Expenses	4,255	-	182	4,437
Miscellaneous	3,238	1,595	-	4,833
	<u>3,238</u>	<u>1,595</u>	<u>-</u>	<u>4,833</u>
Total Functional Expenses	<u>\$ 3,159,095</u>	<u>\$ 73,596</u>	<u>\$ 33,085</u>	<u>\$ 3,265,776</u>

PROJECT CITIZENSHIP, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	<u>\$ 204,934</u>
<i>Adjustments to Reconcile the Above to Net Cash Provided by Operating Activities:</i>	
<i>(Increase) Decrease in Current Assets:</i>	
Prepaid Expenses	(10,975)
<i>Increase (Decrease) in Current Liabilities:</i>	
Accounts Payable and Accrued Expenses	(1,404)
Accrued Payroll and Related Expenses	<u>9,706</u>
Net Adjustment	<u>(2,673)</u>
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>202,261</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	202,261
<u>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</u>	<u>294,438</u>
<u>CASH AND CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 496,699</u>

PROJECT CITIZENSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

NOTE 1 ORGANIZATION

Project Citizenship, Inc. (“Project Citizenship” or the “Organization”) was incorporated in 2014 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. The Organization has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

NOTE 2 PROGRAM SERVICES

Project Citizenship helps legal permanent residents apply for citizenship. In 2016, the presidential election increased the demand for citizenship services, but fortunately, Project Citizenship had the capacity to meet it. In March of 2017, Project Citizenship expanded its offices yet again, in order to house more staff, volunteers and interns, as well as expand services in the Citizenship Center. Located in the Project Citizenship office, the Citizenship Center accommodates clients who are unable to come to a workshop appointment, or who have unusually complicated applications. In 2017, Project Citizenship trained 934 volunteers who helped 1628 clients file their citizenship applications.

In September 2017, Project Citizenship held New England’s largest Citizenship Day event at the Reggie Lewis Track Center, attended by more than 375 immigrants and assisted by 350 volunteers. The event was planned in partnership with the Boston’s Mayor’s Office for Immigrant Advancement, sponsored by Goodwin and Eastern Bank, with catering from the Islamic Society of Boston Cultural Center. Mayor Walsh stopped at lunch to greet clients and volunteers, signaling yet again, that Boston welcomes and values its immigrant communities.

In 2017, Project Citizenship administered grants to 16 community partners across New England, through funding from the Fish Family Foundation, Davis Foundation, and Parker Foundation. Through this collaboration, three organizations applied for Department of Justice recognition and accreditation, expanding the list of reputable, low cost immigration legal service providers in the state.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. The preparation of financial statements in conformity with 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management’s opinion, resulted in reliable and consistent financial reporting by the Organization.

PROJECT CITIZENSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 3 (Continued)

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred.

Financial Statement Presentation:

As required by the *FASB Accounting Standards Codification*TM, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

These classifications are related to the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for activities and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the Organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. For the year presented, Project Citizenship, Inc. did not have any assets of this nature.

Cash and Cash Equivalents:

All cash and short-term investments with original maturities of three months or less are considered cash and cash equivalents.

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$2,500 are capitalized at cost, if purchased, or if donated, at fair value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas, major betterments are capitalized as additions to property and equipment. Depreciation of property and equipment is computed using the straight-line method, and is charged against income over the estimated useful lives of the assets, as expressed in terms of years. The Organization had no property and equipment as of December 31, 2017.

PROJECT CITIZENSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 3 (Continued)

Gifts, Grants and Contributions:

As required by the *FASB Accounting Standards Codification*TM, contributions are required to be recorded as receivables and revenues and the Organization is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give.

Contributions, including unconditional promises to give, are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until the restriction expires, at which time temporarily restricted net assets are reclassified to unrestricted net assets. As permitted by generally accepted accounting principles, the Organization has elected to report restricted contributions whose restrictions are met in the same reporting period as unrestricted support.

Donated Goods and Services:

As required by the *FASB Accounting Standards Codification*TM, the Organization maintains a policy whereby the value of the donated goods and services which create or enhance nonfinancial assets; require a specialized skill; and which would have otherwise been purchased by the Organization if not provided by donation are recorded at their fair value in the period received. These donations are recognized as revenue on the Statement of Activities and listed as expenses on the Statement of Functional Expenses. While material in amount, these donations do not have an impact on the change in net assets for the year presented.

Functional Expenses:

As required by the *FASB Accounting Standards Codification*TM, the Organization allocates its expenses on a functional basis among its various programs and support services. Expenses which can be identified with a specific program and support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated based upon space and time usage. Supporting services are those related to operating and managing Project Citizenship, Inc. and its programs on a day-to-day basis. Supporting services have been sub-classified as follows:

Administrative - includes all activities related to Project Citizenship, Inc.'s internal management and accounting for program services.

Fundraising - includes all activities related to maintaining contributor information, corporate membership development, grant writing, distribution of materials and other similar projects related to the procurement of funds for the Organization's programs.

PROJECT CITIZENSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 3 (Continued)

Grants to Community Partners:

Project Citizenship partners with a number of community-based organizations in the delivery of their citizenship programs. Project Citizenship provides technical assistance and oversees grant compliance with the funding foundations' requirements. Grants are made directly by the supporting foundations to the community partners. Additionally, Project Citizenship administers grants to four community-based organizations with funds from the Parker and Davis Foundations.

Recent Accounting Guidance:

In August 2016, the FASB issued ASC Update No. 2016-14, (Topic 958) *Presentation of Financial Statements of Not-for-Profit Entities*, with the goal of improving not-for-profit financial statements to provide more useful information to donors, grantors, creditors, and other financial statement users. The new guidance simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about the function and nature of expenses, liquidity, financial performance, and cash flows. This guidance will be effective for this Organization beginning after December 15, 2017 and is not expected to have a material effect on the Organization's financial position or change in net assets.

NOTE 4 TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017, temporarily restricted net assets consist of unexpended donor designated grants and contributions in the amount of \$5,100 that were restricted for re-granting to community partners.

For the year presented, net assets were released from restriction for the following programs and purposes:

<u>Type of Restriction</u>	<u>Amount</u>
Time Restricted	\$ 96,938
Restricted for Community Partner	<u>29,900</u>
Total	<u>\$126,838</u>

NOTE 5 DONATED GOODS AND SERVICES

Volunteers are an integral component of the Organization's operations. During 2017, the Organization received approximately 4,000 of legal and consulting hours from various law firms which was valued at rates ranging from \$100 - \$725 per hour. The following donated services, goods and facilities have been recognized as revenues with offsetting expenses in the accompanying financial statements:

<u>Description</u>	<u>Amount</u>
Donated Legal and Consulting Services	\$2,693,706
Donated Space and Workshop Expenses	<u>29,793</u>
Total	<u>\$2,723,499</u>

In addition, volunteer law students have provided services for many cases; however, although valuable to the Organization, these donated services do not meet the recognition criteria.

PROJECT CITIZENSHIP, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2017

(Continued)

NOTE 6 LEASE COMMITMENTS

Facilities:

Project Citizenship occupied approximately 1,499 square feet of office space in Boston, Massachusetts, pursuant to a one-year lease expiring on December 31, 2016. The lease established the base annual rent at \$44,970 payable in equal monthly installments of \$3,747. The lease was extended through March 9, 2017, at which time an amendment to the lease was signed which increased the total square feet to 3,828 in the same premises. This amendment extended the lease term for an additional five years with annual rent of \$118,668 payable in equal monthly installments of \$9,889. The lease amendment also included an escalation clause whereby the annual base rent increases by \$3,828 per annum effective November 11, 2017.

The future minimum lease obligation under this agreement is as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2018	\$121,858
December 31, 2019	125,686
December 31, 2020	129,514
December 31, 2021	<u>133,342</u>
Total	<u>\$510,400</u>

NOTE 7 CONCENTRATIONS

Cash:

The Organization is subject to concentrations in credit risk relating to cash balances. Cash deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution. As of December 31, 2017, the cash balances in excess of the FDIC limit was \$129,775; however, the Organization has not experienced any losses on uninsured cash balances and Management considers credit risk on cash to be low.

Gifts, Grants and Contributions:

For the year ended December 31, 2017, 49% of *Gifts, Grants and Contributions* were attributable to one family foundation.

NOTE 8 SUBSEQUENT EVENTS

Management is required to consider events subsequent to the financial statement date for potential adjustment to or disclosure in the financial statements. Therefore, Management has evaluated subsequent events through April 27, 2018, the date which the financial statements were available for issue and noted no events which met the disclosure criteria.