

**INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.
AND AFFILIATE**

**COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Contents
September 30, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors of
International Institute of New England, Inc. and Affiliate:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of International Institute of New England, Inc. and Affiliate (Massachusetts nonprofit corporations), which comprise the combined statements of financial position as of September 30, 2017 and 2016, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

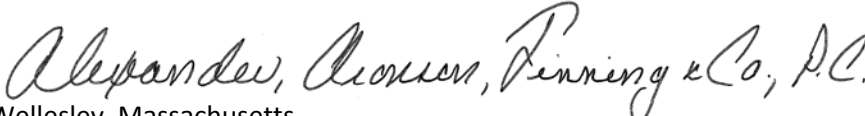
Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of International Institute of New England, Inc. and Affiliate as of September 30, 2017 and 2016, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Wellesley, Massachusetts
February 13, 2018

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Combined Statements of Financial Position
September 30, 2017 and 2016

Assets	2017	2016
Current Assets:		
Cash	\$ 556,708	\$ 897,308
Current portion of investments	750,000	-
Grants, contracts and other receivables	877,107	763,475
Prepaid expenses and other	25,592	27,203
Total current assets	2,209,407	1,687,986
Investments, net of current portion	6,970,148	8,129,057
Property and Equipment, net	1,895,902	2,080,248
Security Deposits	96,742	92,764
Total assets	\$ 11,172,199	\$ 11,990,055
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 28,458	\$ 388,266
Accrued expenses	308,445	311,762
Current portion of lease incentive	110,782	110,782
Deferred revenue	33,496	37,409
Total current liabilities	481,181	848,219
Deferred Rent and Lease Incentive, net of current portion	1,032,847	1,063,224
Total liabilities	1,514,028	1,911,443
Net Assets:		
Unrestricted:		
Operating	8,656,892	9,290,166
Property and equipment	917,328	762,999
Total unrestricted	9,574,220	10,053,165
Temporarily restricted	83,951	25,447
Total net assets	9,658,171	10,078,612
Total liabilities and net assets	\$ 11,172,199	\$ 11,990,055

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

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Combined Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Contract services	\$ 3,734,238	\$ -	\$ 3,734,238	\$ 4,075,093	\$ -	\$ 4,075,093
Donated goods and services	982,384	-	982,384	786,536	-	786,536
Grants and contributions	347,438	342,080	689,518	83,517	139,895	223,412
Special events	230,147	-	230,147	93,659	-	93,659
Interest and dividends	155,701	-	155,701	181,501	-	181,501
United Way allocation	122,876	-	122,876	115,679	-	115,679
Miscellaneous	8,754	-	8,754	32,279	-	32,279
Net assets released from program restrictions	283,576	(283,576)	-	240,744	(240,744)	-
Total revenues	<u>5,865,114</u>	<u>58,504</u>	<u>5,923,618</u>	<u>5,609,008</u>	<u>(100,849)</u>	<u>5,508,159</u>
Expenses:						
Program services	5,076,770	-	5,076,770	4,422,262	-	4,422,262
General and administrative	1,333,900	-	1,333,900	1,259,198	-	1,259,198
Fundraising	571,126	-	571,126	317,974	-	317,974
Total expenses	<u>6,981,796</u>	<u>-</u>	<u>6,981,796</u>	<u>5,999,434</u>	<u>-</u>	<u>5,999,434</u>
Changes in net assets from operations	(1,116,682)	58,504	(1,058,178)	(390,426)	(100,849)	(491,275)
Net Investment Gain	637,737	-	637,737	605,431	-	605,431
Capital Grants	-	-	-	-	93,912	93,912
Net Assets Released from Capital Restrictions	-	-	-	93,912	(93,912)	-
Changes in net assets	(478,945)	58,504	(420,441)	308,917	(100,849)	208,068
Net Assets:						
Beginning of year	<u>10,053,165</u>	<u>25,447</u>	<u>10,078,612</u>	<u>9,744,248</u>	<u>126,296</u>	<u>9,870,544</u>
End of year	<u>\$ 9,574,220</u>	<u>\$ 83,951</u>	<u>\$ 9,658,171</u>	<u>\$ 10,053,165</u>	<u>\$ 25,447</u>	<u>\$ 10,078,612</u>

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

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Combined Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (420,441)	\$ 208,068
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Net investment gain	(637,737)	(605,431)
Depreciation	242,502	54,180
Amortization of lease incentive	(110,784)	(18,464)
Capital grants	-	(93,912)
Changes in operating assets and liabilities:		
Grants, contracts and other receivables	(208,132)	(212,806)
Prepaid expenses and other	1,611	83
Security deposits	(3,978)	(86,764)
Accounts payable	(37,417)	19,025
Accrued expenses	(3,317)	61,691
Deferred revenue	(3,913)	27,970
Deferred rent	80,407	84,648
	<u>(1,101,199)</u>	<u>(561,712)</u>
Net cash used in operating activities		
Cash Flows from Investing Activities:		
Proceeds from sale/transfer of investments	1,200,050	7,129,454
Acquisition of property and equipment	(380,547)	(1,757,029)
Investment purchases	(153,404)	(4,610,594)
Decrease in cash - escrow	-	500,000
Unrelated business income taxes paid	-	(1,231,525)
	<u>666,099</u>	<u>30,306</u>
Net cash provided by investing activities		
Cash Flows from Financing Activities:		
Proceeds from lease incentive	94,500	1,013,322
Capital grants	-	93,912
	<u>94,500</u>	<u>1,107,234</u>
Net cash provided by financing activities		
Net Change in Cash	(340,600)	575,828
Cash:		
Beginning of year	<u>897,308</u>	<u>321,480</u>
End of year	<u>\$ 556,708</u>	<u>\$ 897,308</u>
Supplemental Disclosure of Cash Flow Information:		
Property and equipment financed through accounts payable	<u>\$ -</u>	<u>\$ 322,391</u>
Cash paid for unrelated business income taxes	<u>\$ -</u>	<u>\$ 1,231,525</u>

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

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INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Combined Statement of Functional Expenses

For the Year Ended September 30, 2017

(With Summarized Comparative Totals for the Year Ended September 30, 2016)

	2017				2016
	Program Services	General and Administrative	Fundraising	Total	Total
Personnel and Related:					
Salaries	\$ 2,210,479	\$ 686,126	\$ 246,974	\$ 3,143,579	\$ 2,614,857
Donated services	736,001	81,008	13,461	830,470	693,850
Payroll taxes and fringe benefits	344,318	112,720	38,709	495,747	380,057
Purchased and contracted services	63,900	91,435	66,590	221,925	299,706
Staff training	8,373	3,859	1,782	14,014	-
Recruitment	1,501	4,952	150	6,603	23,034
Total personnel and related	<u>3,364,572</u>	<u>980,100</u>	<u>367,666</u>	<u>4,712,338</u>	<u>4,011,504</u>
Occupancy:					
Rent and utilities	406,288	74,628	32,490	513,406	389,172
Depreciation	134,742	30,542	14,373	179,657	24,146
Equipment rental	12,878	-	-	12,878	12,414
Repairs and maintenance	200	3,478	-	3,678	10,895
Total occupancy	<u>554,108</u>	<u>108,648</u>	<u>46,863</u>	<u>709,619</u>	<u>436,627</u>
Other:					
Client assistance	792,768	-	-	792,768	1,029,865
Donated goods	151,914	-	-	151,914	92,686
Professional fees	-	121,199	-	121,199	89,455
Special events	-	-	104,996	104,996	61,937
Supplies and materials	39,461	43,141	1,916	84,518	81,561
Travel, meetings and conferences	46,068	17,935	9,598	73,601	51,897
Depreciation	44,180	9,726	8,939	62,845	30,034
Telephone	49,022	6,258	2,298	57,578	41,544
Insurance	18,383	27,196	-	45,579	45,029
Miscellaneous	3,326	16,993	-	20,319	3,711
Printing	3,014	157	15,179	18,350	5,755
Dues and subscriptions	1,300	1,118	9,967	12,385	12,441
Storage	7,351	-	-	7,351	2,303
Postage	1,303	1,429	3,704	6,436	3,085
Total other	<u>1,158,090</u>	<u>245,152</u>	<u>156,597</u>	<u>1,559,839</u>	<u>1,551,303</u>
Total expenses	<u>\$ 5,076,770</u>	<u>\$ 1,333,900</u>	<u>\$ 571,126</u>	<u>\$ 6,981,796</u>	<u>\$ 5,999,434</u>

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Combined Statement of Functional Expenses
For the Year Ended September 30, 2016

	<u>Program Services</u>	<u>General and Adminis- trative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel and Related:				
Salaries	\$ 1,852,580	\$ 655,462	\$ 106,815	\$ 2,614,857
Donated services	557,583	109,868	26,399	693,850
Payroll taxes and fringe benefits	320,791	41,150	18,116	380,057
Purchased and contracted services	90,553	146,039	63,114	299,706
Recruitment	5,188	17,796	50	23,034
	<u>2,826,695</u>	<u>970,315</u>	<u>214,494</u>	<u>4,011,504</u>
Occupancy:				
Rent and utilities	276,332	95,936	16,904	389,172
Depreciation	18,109	4,105	1,932	24,146
Equipment rental	12,414	-	-	12,414
Repairs and maintenance	763	10,132	-	10,895
	<u>307,618</u>	<u>110,173</u>	<u>18,836</u>	<u>436,627</u>
Other:				
Client assistance	1,029,865	-	-	1,029,865
Donated goods	92,686	-	-	92,686
Professional fees	-	89,455	-	89,455
Special events	-	-	61,937	61,937
Supplies and materials	47,553	31,641	2,367	81,561
Travel, meetings and conferences	32,782	15,774	3,341	51,897
Depreciation	18,361	7,408	4,265	30,034
Telephone	39,886	1,658	-	41,544
Insurance	15,360	29,455	214	45,029
Miscellaneous	2,368	843	500	3,711
Printing	-	-	5,755	5,755
Dues and subscriptions	5,781	1,250	5,410	12,441
Storage	2,303	-	-	2,303
Postage	1,004	1,226	855	3,085
	<u>1,287,949</u>	<u>178,710</u>	<u>84,644</u>	<u>1,551,303</u>
Total other	<u>1,287,949</u>	<u>178,710</u>	<u>84,644</u>	<u>1,551,303</u>
Total expenses	<u>\$ 4,422,262</u>	<u>\$ 1,259,198</u>	<u>\$ 317,974</u>	<u>\$ 5,999,434</u>

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

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2017 and 2016

1. OPERATIONS AND NONPROFIT STATUS

International Institute of New England, Inc. (the Institute) is a nonprofit organization that provides assistance to the immigrant and refugee populations of Massachusetts and New Hampshire. In fiscal years 2017 and 2016, there were approximately 1,920 and 1,700 unduplicated people, respectively, from approximately 70 countries that benefited from the Institute's services, gaining the knowledge and skills necessary for their integration into American life. The Institute's services include English and literacy classes, citizenship education, job training and placement, legal aid and counseling services, and case management.

Community Lending Corporation (CLC) was a community-based nonprofit corporation established to provide financing, technical assistance and business support services to underserved populations. The Institute was the sole member of CLC. The Institute and CLC shared three common Board members and their President. CLC had limited activity for the year ended September 30, 2016. During fiscal year 2016, CLC was dissolved and its remaining assets and liabilities were transferred to the Institute.

The Institute and CLC are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Institute and CLC are also exempt from state income taxes. Contributions made to the Institute and CLC are deductible by donors within the requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The Institute and CLC (collectively, the Organization) prepare their combined financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combined financial statements include the accounts of the Institute and CLC. All significant inter-company transactions and balances have been eliminated.

Combined Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and expenses in the accompanying combined statements of activities and changes in net assets. Non-operating activity represents capital and investment related activity.

Estimates

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

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair value at the date of donation. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>	<u>2017</u>	<u>2016</u>
Leasehold improvements	Lesser of life of lease or 10 years	\$ 1,806,868	\$ 1,770,198
Furniture and equipment	3 - 10 years	366,173	712,910
Vehicles	5 years	<u>23,064</u>	<u>35,064</u>
		2,196,105	2,518,172
Less - accumulated depreciation		<u>300,203</u>	<u>437,924</u>
Net property and equipment		<u>\$ 1,895,902</u>	<u>\$ 2,080,248</u>

Depreciation expense was \$242,502 and \$54,180 for the years ended September 30, 2017 and 2016, respectively.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. No allowance for doubtful accounts was deemed necessary as of September 30, 2017 or 2016.

Cash

For the purpose of the accompanying combined statements of cash flows, cash does not include cash held in the investment portfolio.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Organization and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The Organization's interest in a limited liability partnership is reported at the net asset value (NAV) reported by fund managers, which is used as a practical expedient to estimate fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of September 30, 2017 and 2016, the Organization had no plans to sell this investment.

Revenue Recognition

Grants and contributions that have no donor restrictions are recognized as unrestricted revenue upon receipt or when unconditionally pledged. Contract service revenue is recognized when services are performed and costs are incurred.

Donor restricted grants and contributions are recorded as temporarily restricted revenue when received or unconditionally pledged. When a donor restriction is met, (i.e. when a purpose restriction is met or a time restriction ends), temporarily restricted net assets are transferred to unrestricted net assets as net assets released from restrictions.

Special event revenue is recorded at the time of the event; however, contributions unconditionally pledged in support of the special event are recorded as special event revenue at the time of the pledge. All other income is recorded as earned.

Expense Allocations

Program expenses contain direct expenses, as well as indirect expenses, which are allocated based upon management's estimate of the percentage attributable to each program.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

The Institute receives donated goods and services in various aspects of its programs. The value of the donated items is based on estimates made by the volunteers, agencies or management. Donated goods include food and clothing; donated services include legal, teaching, and consulting work. Donated items received were as follows:

	<u>2017</u>	<u>2016</u>
Donated services	\$ 830,470	\$ 693,850
Donated goods	<u>151,914</u>	<u>92,686</u>
	<u>\$ 982,384</u>	<u>\$ 786,536</u>

The Institute also receives a substantial amount of donated administrative services. Many individuals volunteer their time and perform a variety of tasks that help the Organization accomplish its goals. These services do not meet the criteria for recognition as contributed services under U.S. GAAP and, accordingly, are not included in the accompanying combined financial statements.

Subsequent Events

Subsequent events have been evaluated through February 13, 2018, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

Deferred Revenue

Deferred revenue consists of contract advances. These amounts will be recognized as revenue as the services are provided and costs are incurred.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combined financial statements at September 30, 2017 or 2016.

Net Assets

Unrestricted Net Assets:

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its unrestricted net assets into the following categories:

Operating - represents funds available to carry on the operations of the Organization.

Property and equipment - reflect and account for the activities relating to the Organization's property and equipment, net of related debt.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Temporarily Restricted Net Assets:

The Organization receives contributions and grants that are designated by donors for specific purposes or time periods. These contributions are recorded as temporarily restricted net assets until they are either expended for their designated purposes or as the time restrictions lapse. Temporarily restricted net assets as of September 30, 2017 and 2016, are purpose restricted.

3. RETIREMENT PLAN

The Institute has a defined contribution retirement plan covering all eligible employees over the age of twenty-one who have completed a minimum of 1,000 hours of service within each of their first two years of employment. Employee contributions are vested immediately into the plan upon eligibility. The Institute did not make any contributions to the plan during the years ended September 30, 2017 and 2016.

4. INVESTMENTS

Investments, which are stated at fair value (see Note 1) in the accompanying statements of financial position, are as follows:

<u>2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 775,745	\$ -	\$ -	\$ 775,745
Mutual Funds	<u>5,840,283</u>	<u>-</u>	<u>-</u>	<u>5,840,283</u>
	<u>\$ 6,616,028</u>	<u>\$ -</u>	<u>\$ -</u>	6,616,028
Limited liability partnership (see below)				<u>1,104,120</u>
Total investments				<u>\$ 7,720,148</u>
<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 115,773	\$ -	\$ -	\$ 115,773
Mutual Funds	<u>6,998,707</u>	<u>-</u>	<u>-</u>	<u>6,998,707</u>
	<u>\$ 7,114,480</u>	<u>\$ -</u>	<u>\$ -</u>	7,114,480
Limited liability partnership (see below)				<u>1,014,577</u>
Total investments				<u>\$ 8,129,057</u>

In accordance with ASU 2015-07, the Organization's investment in a limited liability partnership is valued at fair value using the NAV per share (or its equivalent) practical expedient and has not been classified in the fair value hierarchy. The fair value amounts presented in the above table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the combined statements of financial position (see Note 1).

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC. AND AFFILIATE

Notes to Combined Financial Statements
September 30, 2017 and 2016

4. INVESTMENTS

Investments are reported in the accompanying combined statements of financial position as current or long-term assets based on management's intent with respect to the use of the investments. At September 30, 2017, \$750,000 of investments were reported as current as management's intent is to use these funds for fiscal year 2018 operations. As of September 30, 2016, all investments have been reported as long-term.

Net investment gains consist of:

	<u>2017</u>	<u>2016</u>
Unrealized gain on investments	\$ 552,574	\$ 621,613
Realized gain (loss) on investments	<u>85,163</u>	<u>(16,182)</u>
Net investment gain	<u>\$ 637,737</u>	<u>\$ 605,431</u>

The investments are not insured and are subject to market fluctuation.

5. CONCENTRATIONS

The Organization maintains its cash balances with several banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Organization has supplemental coverage at one bank, which insures the portion of deposits in excess of the FDIC's limit. The Organization has not experienced any losses in such accounts.

Funding agencies and donors exceeding 10% of the Organization's operating revenue or accounts and grant receivable as of and for the years ended September 30, 2017 and 2016, are as follows:

<u>Funder</u>	<u>Operating Revenue and Support %</u>		<u>Grants, Contracts and Other Receivables %</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
U.S. Committee for Refugees and Immigrants	28%	34%	10%	41%
Commonwealth of Massachusetts	23%	19%	43%	32%
State of New Hampshire	8%	9%	10%	3%

6. FUNDING

The Organization received approximately \$2,918,000 and \$3,465,000 of its funding from government agencies for the years ended September 30, 2017 and 2016, respectively, all of which are subject to audit by the specific government agency. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of the Organization as of September 30, 2017 and 2016, or on the changes in its net assets for the years then ended.

7. LEASE AGREEMENTS

The Institute leases program and administrative space under various operating leases and tenant-at-will agreements. These leases expire at various dates through November 2020. The leases require the Institute to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses.

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7. LEASE AGREEMENTS (Continued)

In August 2016, the Institute entered into an agreement to lease new administrative and program space in Boston, Massachusetts through July 2026. Initial monthly lease payments are \$38,788 and increase throughout the term of the lease. The Institute records rent on a straight-line basis over the term of the lease. The difference between the monthly lease payments and the related rent expense for a given year is recorded as deferred rent. The straight-line rent expense combines the escalation amounts and an initial three month rent free period. At September 30, 2017 and 2016, deferred rent was \$165,055 and \$84,648, respectively, and is included in deferred rent and lease incentive in the accompanying combined statements of financial position.

The lease agreement also included a tenant improvement allowance of \$1,107,822 in the form of a reimbursement for construction and related costs incurred by the Institute for leasehold improvements made in fiscal year 2016. This improvement allowance is reported as a liability and is being amortized over the lease term as a reduction in the rent expense. The improvement allowance is included in deferred rent and lease incentives in the accompanying combined statements of financial position. In the accompanying September 30, 2016 combined statement of financial position, \$94,500 of this improvement allowance is included in grants, contracts and other receivables. Amortization of the lease incentive was \$110,784 and \$18,464 during the years ended September 30, 2017 and 2016, respectively, and is included in rent and utilities in the accompanying combined statements of functional expenses.

In May 2015, the Institute sold its building. As part of the sale agreement, the Institute entered into a one-year leaseback agreement with the new owner for certain space in the building. Monthly lease payments under the agreement were \$23,544. The Institute was responsible for certain operating costs as defined in the agreement. Rent paid for the year ended September 30, 2016, was \$178,479, which is included in rent and utilities in the accompanying fiscal year 2016 combined statement of functional expenses.

As part of the leaseback agreement, the Institute was required to deposit \$500,000 in a rent holdback escrow account. This escrow deposit was refunded to the Institute in fiscal year 2016.

Rent expense under all leases was approximately \$496,000 and \$389,000 for the years ended September 30, 2017 and 2016, respectively, which is included in rent and utilities on the accompanying combined statements of functional expenses.

Future minimum lease payments under the lease agreements for the next five fiscal years are as follows:

2018	\$ 568,943
2019	\$ 538,122
2020	\$ 551,755
2021	\$ 524,456
2022	\$ 528,749

8. RELATED PARTY TRANSACTIONS

The President and Chief Executive Officer (CEO) of the Institute is also a member of the Board of Directors. Compensation and employee benefits for services provided as the President and CEO are determined by the independent members of the Board of Directors and are based on performance objectives.

The Chief Financial Officer (CFO) of the Institute is also the Treasurer of the Organization.

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9. RECLASSIFICATIONS

Certain amounts in the fiscal year 2016 combined financial statements have been reclassified to conform with the fiscal year 2017 presentation.