



International
Institute of
New England



FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Contents
September 30, 2018 and 2017

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of International Institute of New England, Inc. (a Massachusetts nonprofit corporation), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits 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 International Institute of New England, Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alexander, Brown, Pinning & Co., P.C.

Wellesley, Massachusetts
February 13, 2019

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.Statements of Financial Position
September 30, 2018 and 2017

Assets	2018	2017
Current Assets:		
Cash	\$ 432,887	\$ 556,708
Short-term investments	800,000	750,000
Contracts, contributions and other receivables	713,203	877,107
Prepaid expenses and other	113,891	25,592
Fund held for others	47,000	-
Total current assets	2,106,981	2,209,407
Investments	6,595,749	6,970,148
Property and Equipment, net	1,895,424	1,895,902
Security Deposits	100,434	96,742
Total assets	<u>\$ 10,698,588</u>	<u>\$ 11,172,199</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 43,929	\$ 28,458
Accrued expenses	326,886	308,445
Current portion of lease incentive	110,782	110,782
Deferred revenue	60,803	33,496
Fund held for others	47,000	-
Total current liabilities	589,400	481,181
Deferred Rent and Lease Incentive, net of current portion	951,257	1,032,847
Total liabilities	<u>1,540,657</u>	<u>1,514,028</u>
Net Assets:		
Unrestricted:		
Operating	8,016,351	8,656,892
Property and equipment	1,027,634	917,328
Total unrestricted	9,043,985	9,574,220
Temporarily restricted	113,946	83,951
Total net assets	<u>9,157,931</u>	<u>9,658,171</u>
Total liabilities and net assets	<u>\$ 10,698,588</u>	<u>\$ 11,172,199</u>

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues:						
Contract services	\$ 3,067,101	\$ -	\$ 3,067,101	\$ 3,734,238	\$ -	\$ 3,734,238
Grants and contributions	1,436,205	332,054	1,768,259	577,585	342,080	919,665
Donated goods and services	788,778	-	788,778	982,384	-	982,384
Interest and dividends	163,813	-	163,813	155,701	-	155,701
Program service fees	161,481	-	161,481	8,754	-	8,754
United Way allocation	92,171	-	92,171	122,876	-	122,876
Miscellaneous	24,575	-	24,575	-	-	-
Net assets released from program restrictions	302,059	(302,059)	-	283,576	(283,576)	-
Total revenues	6,036,183	29,995	6,066,178	5,865,114	58,504	5,923,618
Expenses:						
Program services	4,664,245	-	4,664,245	5,076,770	-	5,076,770
General and administrative	1,407,189	-	1,407,189	1,333,900	-	1,333,900
Fundraising	764,120	-	764,120	571,126	-	571,126
Total expenses	6,835,554	-	6,835,554	6,981,796	-	6,981,796
Changes in net assets from operations	(799,371)	29,995	(769,376)	(1,116,682)	58,504	(1,058,178)
Net Investment Gain	269,136	-	269,136	637,737	-	637,737
Changes in net assets	(530,235)	29,995	(500,240)	(478,945)	58,504	(420,441)
Net Assets:						
Beginning of year	9,574,220	83,951	9,658,171	10,053,165	25,447	10,078,612
End of year	<u>\$ 9,043,985</u>	<u>\$ 113,946</u>	<u>\$ 9,157,931</u>	<u>\$ 9,574,220</u>	<u>\$ 83,951</u>	<u>\$ 9,658,171</u>

The accompanying notes are an integral part of these statements.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Statements of Cash Flows

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (500,240)	\$ (420,441)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Net investment gain	(269,136)	(637,737)
Depreciation	255,324	242,502
Amortization of lease incentive	(110,784)	(110,784)
Changes in operating assets and liabilities:		
Contracts, contributions and other receivables	163,904	(208,132)
Prepaid expenses and other	(88,299)	1,611
Security deposits	(3,692)	(3,978)
Accounts payable	15,471	(37,417)
Accrued expenses	18,441	(3,317)
Deferred revenue	27,307	(3,913)
Deferred rent	29,194	80,407
Net cash used in operating activities	<u>(462,510)</u>	<u>(1,101,199)</u>
Cash Flows from Investing Activities:		
Proceeds from sale/transfer of investments	774,950	1,200,050
Acquisition of property and equipment	(254,846)	(380,547)
Investment purchases	<u>(181,415)</u>	<u>(153,404)</u>
Net cash provided by investing activities	<u>338,689</u>	<u>666,099</u>
Cash Flows from Financing Activities:		
Proceeds from lease incentive	<u>-</u>	<u>94,500</u>
Net Change in Cash	(123,821)	(340,600)
Cash:		
Beginning of year	<u>556,708</u>	<u>897,308</u>
End of year	<u><u>\$ 432,887</u></u>	<u><u>\$ 556,708</u></u>

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2018

(With Summarized Comparative Totals for the Year Ended September 30, 2017)

	2018			2017	
	Program Services	General and Administrative	Fundraising	Total	Total
Personnel and Related:					
Salaries	\$ 2,102,635	\$ 788,954	\$ 342,702	\$ 3,234,291	\$ 3,143,579
Donated services	663,746	-	-	663,746	830,470
Payroll taxes and fringe benefits	362,396	141,272	58,256	561,924	495,747
Purchased and contracted services	88,022	103,633	72,158	263,813	221,925
Recruitment	6,433	4,599	-	11,032	6,603
Staff training	3,345	1,335	2,379	7,059	14,014
Total personnel and related	<u>3,226,577</u>	<u>1,039,793</u>	<u>475,495</u>	<u>4,741,865</u>	<u>4,712,338</u>
Occupancy:					
Rent and utilities	412,452	61,743	43,756	517,951	513,406
Depreciation	142,567	32,315	15,206	190,088	179,657
Equipment rental	11,602	1,561	832	13,995	12,878
Repairs and maintenance	143	2,113	-	2,256	3,678
Total occupancy	<u>566,764</u>	<u>97,732</u>	<u>59,794</u>	<u>724,290</u>	<u>709,619</u>
Other:					
Client assistance	493,744	-	-	493,744	792,768
Special events	-	-	161,215	161,215	104,996
Professional fees	-	137,752	-	137,752	121,199
Donated goods	125,032	-	-	125,032	151,914
Travel, meetings and conferences	51,564	18,446	6,948	76,958	73,601
Supplies and materials	40,413	15,021	14,735	70,169	59,055
Depreciation	45,587	9,444	10,205	65,236	62,845
Telephone	56,080	4,177	3,290	63,547	57,578
Service charges	12,220	43,512	-	55,732	25,463
Insurance	17,753	35,113	-	52,866	45,579
Dues and subscriptions	5,394	4,262	12,076	21,732	12,385
Printing	2,964	100	15,708	18,772	18,350
Storage	10,297	-	-	10,297	7,351
Postage	4,300	1,414	2,929	8,643	6,436
Miscellaneous	5,556	423	1,725	7,704	20,319
Total other	<u>870,904</u>	<u>269,664</u>	<u>228,831</u>	<u>1,369,399</u>	<u>1,559,839</u>
Total expenses	<u>\$ 4,664,245</u>	<u>\$ 1,407,189</u>	<u>\$ 764,120</u>	<u>\$ 6,835,554</u>	<u>\$ 6,981,796</u>

The accompanying notes are an integral part of these statements.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2017

	<u>Program Services</u>	<u>General and Adminis- trative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel and Related:				
Salaries	\$ 2,210,479	\$ 686,126	\$ 246,974	\$ 3,143,579
Donated services	736,001	81,008	13,461	830,470
Payroll taxes and fringe benefits	344,318	112,720	38,709	495,747
Purchased and contracted services	63,900	91,435	66,590	221,925
Recruitment	1,501	4,952	150	6,603
Staff training	8,373	3,859	1,782	14,014
	<u>3,364,572</u>	<u>980,100</u>	<u>367,666</u>	<u>4,712,338</u>
Occupancy:				
Rent and utilities	406,288	74,628	32,490	513,406
Depreciation	134,742	30,542	14,373	179,657
Equipment rental	12,878	-	-	12,878
Repairs and maintenance	200	3,478	-	3,678
	<u>554,108</u>	<u>108,648</u>	<u>46,863</u>	<u>709,619</u>
Other:				
Client assistance	792,768	-	-	792,768
Special events	-	-	104,996	104,996
Professional fees	-	121,199	-	121,199
Donated goods	151,914	-	-	151,914
Travel, meetings and conferences	46,068	17,935	9,598	73,601
Supplies and materials	39,461	17,678	1,916	59,055
Depreciation	44,180	9,726	8,939	62,845
Telephone	49,022	6,258	2,298	57,578
Service charges	-	25,463	-	25,463
Insurance	18,383	27,196	-	45,579
Dues and subscriptions	1,300	1,118	9,967	12,385
Printing	3,014	157	15,179	18,350
Storage	7,351	-	-	7,351
Postage	1,303	1,429	3,704	6,436
Miscellaneous	3,326	16,993	-	20,319
	<u>1,158,090</u>	<u>245,152</u>	<u>156,597</u>	<u>1,559,839</u>
Total other	<u>1,158,090</u>	<u>245,152</u>	<u>156,597</u>	<u>1,559,839</u>
Total expenses	<u>\$ 5,076,770</u>	<u>\$ 1,333,900</u>	<u>\$ 571,126</u>	<u>\$ 6,981,796</u>

The accompanying notes are an integral part of these statements.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2018 and 2017

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 2018 and 2017, there were approximately 1,800 and 1,920 unduplicated people, respectively, from approximately 90 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES

The Institute prepares its 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).

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 statements of activities and changes in net assets. Non-operating activity represents investment related activity.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount 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.

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>2018</u>	<u>2017</u>
Leasehold improvements	Lesser of life of lease or 10 years	\$ 1,891,175	\$ 1,806,868
Furniture and equipment	3 - 10 years	525,374	366,173
Vehicles	5 years	<u>23,064</u>	<u>23,064</u>
		2,439,613	2,196,105
Less - accumulated depreciation		<u>544,189</u>	<u>300,203</u>
Net property and equipment		<u>\$ 1,895,424</u>	<u>\$ 1,895,902</u>

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

Depreciation expense was \$255,324 and \$242,502 for the years ended September 30, 2018 and 2017, 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, 2018 or 2017.

Cash

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

Fair Value Measurements

The Institute 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 Institute would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Institute 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 Institute. 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.

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.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by the Institute 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 Institute'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, 2018 and 2017, the Institute 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.

All other revenue is recognized 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.

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>2018</u>	<u>2017</u>
Donated services	\$ 663,746	\$ 830,470
Donated goods	<u>125,032</u>	<u>151,914</u>
	<u>\$ 788,778</u>	<u>\$ 982,384</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 Institute 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 financial statements.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through February 13, 2019, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the 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 Institute 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 financial statements regarding a tax position taken or expected to be taken in a tax return. The Institute has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at September 30, 2018 or 2017.

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 Institute. The Institute has grouped its unrestricted net assets into the following categories:

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

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

Temporarily Restricted Net Assets:

The Institute 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, 2018 and 2017 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 made \$43,365 of matching contributions to the plan during the year ended September 30, 2018, which are included in payroll taxes and fringe benefits in the accompanying fiscal year 2018 statement of functional expenses. The Institute did not make any contributions to the plan during the year ended September 30, 2017.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.Notes to Financial Statements
September 30, 2018 and 2017**4. INVESTMENTS**

Investments, which are stated at fair value (see Note 2) in the accompanying statements of financial position, are as follows:

<u>2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 435,546	\$ -	\$ -	\$ 435,546
Mutual funds	<u>5,771,596</u>	<u>-</u>	<u>-</u>	<u>5,771,596</u>
	<u>\$ 6,207,142</u>	<u>\$ -</u>	<u>\$ -</u>	6,207,142
Limited liability partnership (see below)				<u>1,188,607</u>
Total investments				<u>\$ 7,395,749</u>
<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>

In accordance with Accounting Standards Update (ASU) 2015-07, the Institute'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 statements of financial position (see Note 2).

Investments are reported in the accompanying 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, 2018 and 2017, \$800,000 and \$750,000, respectively, were reported as current investments as management's intent is to use these funds for operations.

Net investment gains consist of:

	<u>2018</u>	<u>2017</u>
Unrealized gain on investments	\$ 179,629	\$ 552,574
Realized gain on investments	<u>89,507</u>	<u>85,163</u>
Investment gain	<u>\$ 269,136</u>	<u>\$ 637,737</u>

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

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2018 and 2017

5. CONCENTRATIONS

The Institute 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 Institute has supplemental coverage at one bank, which insures the portion of deposits in excess of the FDIC's limit. The Institute has not experienced any losses in such accounts.

Funding agencies and donors exceeding 10% of the Institute's operating revenue and support or contracts, contributions and other receivables as of and for the years ended September 30, 2018 and 2017, are as follows:

<u>Funder</u>	<u>Operating Revenue and Support %</u>		<u>Contracts, Contributions and Other Receivables %</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Commonwealth of Massachusetts	18%	23%	21%	43%
U.S. Committee for Refugees and Immigrants	16%	28%	6%	10%
State of New Hampshire	10%	8%	7%	10%
Private Donor	2%	- %	14%	- %

6. FUNDING

The Institute received approximately \$2,288,000 and \$2,918,000 of its funding from government agencies for the years ended September 30, 2018 and 2017, 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 Institute as of September 30, 2018 and 2017, or on the changes in its net assets for the years then ended.

7. LEASE AGREEMENTS

The Institute leases its main office space in Boston, Massachusetts under an agreement that runs through July 2026. Monthly lease payments for fiscal years 2018 and 2017 were approximately \$49,000 and \$39,000, respectively, 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, 2018 and 2017, deferred rent was \$194,249 and \$165,055, respectively, and is included in deferred rent and lease incentive in the accompanying 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. 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 statements of financial position. Amortization of the lease incentive was \$110,784 during each of the years ended September 30, 2018 and 2017, and is included in rent and utilities in the accompanying statements of functional expenses.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2018 and 2017

7. LEASE AGREEMENTS (Continued)

The Institute also leases program and administrative space under various operating leases and tenant-at-will agreements. These leases expire at various dates through January 2025. The leases require the Institute to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses.

Rent expense under all leases was approximately \$494,000 and \$496,000 for the years ended September 30, 2018 and 2017, respectively, which is included in rent and utilities in the accompanying statements of functional expenses.

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

2019	\$ 605,575
2020	\$ 566,256
2021	\$ 565,196
2022	\$ 578,909
2023	\$ 557,882

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 of the Institute is also the Treasurer of the Institute.

9. FUNDS HELD FOR OTHERS

Funds held for others represents amounts held by the Institute on behalf of another agency.

10. RECLASSIFICATIONS

Certain amounts in the fiscal year 2017 financial statements have been reclassified to conform with the fiscal year 2018 presentation.