



**International
Institute of
New England**

**FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Contents
September 30, 2023 and 2022

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of International Institute of New England, Inc. (a Massachusetts nonprofit corporation) (the Institute), which comprise the statements of financial position as of September 30, 2023 and 2022, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of International Institute of New England, Inc. as of September 30, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Institute and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As disclosed in Note 2 to the financial statements, effective October 1, 2022, the Institute has changed its method of accounting for leases due to the adoption of Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, using the optional transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Institute's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Institute's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Institute's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Boston, Massachusetts
February 28, 2024

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Statements of Financial Position
September 30, 2023 and 2022

Assets	2023	2022
Current Assets:		
Cash	\$ 632,175	\$ 5,066,794
Current portion of government contracts and contributions receivable	4,216,844	1,671,722
Accounts receivable	79,289	66,682
Prepaid expenses and other	308,130	225,128
Total current assets	5,236,438	7,030,326
Investments	11,403,418	7,989,204
Contributions Receivable, net	635,794	660,111
Property and Equipment, net	1,386,308	1,540,761
Right-of-Use Assets - Operating	2,190,256	-
Security Deposits	91,657	92,984
Total assets	\$ 20,943,871	\$ 17,313,386
Liabilities and Net Assets		
Current Liabilities:		
Current portion of operating lease liabilities	\$ 698,298	\$ -
Accounts payable	508,696	201,095
Accrued expenses	630,640	475,851
Conditional advances	1,106,281	2,902,752
Current portion of lease incentive	-	110,782
Total current liabilities	2,943,915	3,690,480
Operating Lease Liabilities, net of current portion	1,968,540	-
Deferred Rent and Lease Incentive, net of current portion	-	502,404
Total liabilities	4,912,455	4,192,884
Net Assets:		
Without donor restrictions:		
Operating	13,060,586	9,902,624
Property and equipment	909,726	1,116,107
Total without donor restrictions	13,970,312	11,018,731
With donor restrictions	2,061,104	2,101,771
Total net assets	16,031,416	13,120,502
Total liabilities and net assets	\$ 20,943,871	\$ 17,313,386

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended September 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Government contracts	\$ 16,798,874	\$ -	\$ 16,798,874	\$ 9,807,401	\$ -	\$ 9,807,401
Grants and contributions	4,880,244	817,098	5,697,342	4,968,989	2,292,154	7,261,143
Program service fees and contracted services	617,545	-	617,545	398,961	-	398,961
Donated goods and services	379,202	-	379,202	731,498	-	731,498
Other revenue	12,910	-	12,910	6,111	-	6,111
Net assets released from time restrictions	425,000	(425,000)	-	-	-	-
Net assets released from purpose restrictions	432,765	(432,765)	-	833,878	(833,878)	-
Total revenues	<u>23,546,540</u>	<u>(40,667)</u>	<u>23,505,873</u>	<u>16,746,838</u>	<u>1,458,276</u>	<u>18,205,114</u>
Expenses:						
Program services	16,185,833	-	16,185,833	10,994,016	-	10,994,016
General and administrative	3,422,692	-	3,422,692	2,165,323	-	2,165,323
Fundraising	2,009,426	-	2,009,426	1,769,692	-	1,769,692
Total expenses	<u>21,617,951</u>	<u>-</u>	<u>21,617,951</u>	<u>14,929,031</u>	<u>-</u>	<u>14,929,031</u>
Changes in net assets from operations	<u>1,928,589</u>	<u>(40,667)</u>	<u>1,887,922</u>	<u>1,817,807</u>	<u>1,458,276</u>	<u>3,276,083</u>
Non-Operating Revenue (Expense):						
Investment return	1,070,861	-	1,070,861	(1,206,586)	-	(1,206,586)
Loss on disposal of property and equipment	(47,869)	-	(47,869)	-	-	-
Total non-operating revenue (expense)	<u>1,022,992</u>	<u>-</u>	<u>1,022,992</u>	<u>(1,206,586)</u>	<u>-</u>	<u>(1,206,586)</u>
Changes in net assets	<u>2,951,581</u>	<u>(40,667)</u>	<u>2,910,914</u>	<u>611,221</u>	<u>1,458,276</u>	<u>2,069,497</u>
Net Assets:						
Beginning of year	<u>11,018,731</u>	<u>2,101,771</u>	<u>13,120,502</u>	<u>10,407,510</u>	<u>643,495</u>	<u>11,051,005</u>
End of year	<u>\$ 13,970,312</u>	<u>\$ 2,061,104</u>	<u>\$ 16,031,416</u>	<u>\$ 11,018,731</u>	<u>\$ 2,101,771</u>	<u>\$ 13,120,502</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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,910,914	\$ 2,069,497
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Investment return	(1,070,861)	1,206,586
Loss on disposal of property and equipment	47,869	-
Depreciation	328,530	430,664
Non-cash lease expense	(171,283)	-
Amortization of deferred rent and lease incentive	-	(110,782)
Donated stock	(99,509)	(2,765)
Bad debt	2,174	93,351
Change in discount on contributions receivable	(7,263)	49,889
Changes in operating assets and liabilities:		
Government contracts and contributions receivable	(2,515,716)	(1,173,828)
Accounts receivable	(12,607)	(17,369)
Prepaid expenses and other	(83,002)	(147,966)
Security deposits	1,327	-
Accounts payable	256,146	138,675
Accrued expenses	154,789	207,685
Conditional advances	(1,796,471)	2,847,555
Deferred rent	-	(19,805)
	<u>(2,054,963)</u>	<u>5,571,387</u>
Net cash provided by (used in) operating activities		
Cash Flows from Investing Activities:		
Proceeds from sale of investments	9,728,231	440,000
Acquisition of property and equipment	(135,812)	(210,775)
Investment purchases	(11,972,075)	(1,413,913)
	<u>(2,379,656)</u>	<u>(1,184,688)</u>
Net cash used in investing activities		
Net Change in Cash	(4,434,619)	4,386,699
Cash:		
Beginning of year	5,066,794	680,095
End of year	<u>\$ 632,175</u>	<u>\$ 5,066,794</u>
Supplemental Disclosure of Non-Cash Transactions:		
Unrealized gain (loss) on investments	<u>\$ 770,506</u>	<u>\$ (1,394,382)</u>
Property and equipment financed by accounts payable	<u>\$ 73,142</u>	<u>\$ 21,687</u>

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2023

(With Summarized Comparative Totals for the Year Ended September 30, 2022)

	2023			2022	
	Program Services	General and Administrative	Fundraising	Total	Total
Personnel and Related:					
Salaries	\$ 7,734,339	\$ 1,398,818	\$ 1,028,651	\$ 10,161,808	\$ 6,344,439
Payroll taxes and fringe benefits	1,494,966	257,324	215,208	1,967,498	1,101,556
Purchased and contracted services	335,763	-	-	335,763	431,087
Donated services	279,961	-	22,799	302,760	472,565
Staff training	8,818	44,830	1,336	54,984	28,574
Total personnel and related	<u>9,853,847</u>	<u>1,700,972</u>	<u>1,267,994</u>	<u>12,822,813</u>	<u>8,378,221</u>
Occupancy:					
Rent and utilities	521,346	233,065	71,231	825,642	625,900
Depreciation	150,417	107,588	-	258,005	328,749
Total occupancy	<u>671,763</u>	<u>340,653</u>	<u>71,231</u>	<u>1,083,647</u>	<u>954,649</u>
Other:					
Client assistance	4,657,484	-	-	4,657,484	3,612,976
Professional fees	499,503	738,497	326,038	1,564,038	747,759
Supplies and materials	158,439	226,011	16,875	401,325	200,114
Dues and subscriptions	56,893	135,512	81,659	274,064	181,430
Travel, meetings and conferences	127,915	122,299	15,845	266,059	88,738
Special events	-	-	203,087	203,087	175,352
Donated goods	76,442	-	-	76,442	258,933
Depreciation	41,116	29,409	-	70,525	101,915
Insurance	1,714	65,748	-	67,462	55,494
Storage	8,741	25,153	709	34,603	25,286
Printing	15,484	564	14,153	30,201	21,379
Advertising	250	14,176	7,527	21,953	1,199
Miscellaneous	6,382	12,921	2,240	21,543	14,122
Postage	9,860	8,603	2,068	20,531	18,113
Bad debt	-	2,174	-	2,174	93,351
Total other	<u>5,660,223</u>	<u>1,381,067</u>	<u>670,201</u>	<u>7,711,491</u>	<u>5,596,161</u>
Total expenses	<u>\$ 16,185,833</u>	<u>\$ 3,422,692</u>	<u>\$ 2,009,426</u>	<u>\$ 21,617,951</u>	<u>\$ 14,929,031</u>

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Statement of Functional Expenses
For the Year Ended September 30, 2022

	<u>Program Services</u>	<u>General and Adminis- trative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel and Related:				
Salaries	\$ 4,489,338	\$ 895,615	\$ 959,486	\$ 6,344,439
Payroll taxes and fringe benefits	722,749	181,369	197,438	1,101,556
Purchased and contracted services	405,001	20,150	5,936	431,087
Donated services	416,417	2,383	53,765	472,565
Staff training	9,519	14,117	4,938	28,574
	<u>6,043,024</u>	<u>1,113,634</u>	<u>1,221,563</u>	<u>8,378,221</u>
Occupancy:				
Rent and utilities	498,545	65,127	62,228	625,900
Depreciation	191,661	137,088	-	328,749
	<u>690,206</u>	<u>202,215</u>	<u>62,228</u>	<u>954,649</u>
Other:				
Client assistance	3,612,976	-	-	3,612,976
Professional fees	175,264	371,672	200,823	747,759
Supplies and materials	57,797	133,531	8,786	200,114
Dues and subscriptions	29,220	83,723	68,487	181,430
Travel, meetings and conferences	41,992	40,029	6,717	88,738
Special events	-	-	175,352	175,352
Donated goods	258,933	-	-	258,933
Depreciation	59,416	42,499	-	101,915
Insurance	1,583	53,911	-	55,494
Storage	10,643	14,643	-	25,286
Printing	2,646	703	18,030	21,379
Advertising	420	-	779	1,199
Miscellaneous	1,352	12,327	443	14,122
Postage	8,544	3,085	6,484	18,113
Bad debt	-	93,351	-	93,351
	<u>4,260,786</u>	<u>849,474</u>	<u>485,901</u>	<u>5,596,161</u>
Total other	<u>4,260,786</u>	<u>849,474</u>	<u>485,901</u>	<u>5,596,161</u>
Total expenses	<u>\$ 10,994,016</u>	<u>\$ 2,165,323</u>	<u>\$ 1,769,692</u>	<u>\$ 14,929,031</u>

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

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 2023 and 2022, there were approximately 10,000 and 4,200 unduplicated people, from approximately seventy and sixty-eight 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).

Recently Adopted Accounting Pronouncement

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which provides guidance on the recognition, measurement, presentation, and disclosure of leases. The new standard requires lessees to report substantially all leases on the statement of financial position as right-of-use (ROU) assets and lease liabilities. The Institute adopted Topic 842 using the optional transition method provided in ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. Under this transition method, financial information related to years prior to adoption was as originally reported under Topic 840. The Institute elected the package of practical expedients permitted under the transition guidance within the new standard which allows the Institute to skip the reassessment of whether the contract is or contains a lease, the treatment of initial direct costs and lease classification.

The adoption did not have a material impact on the Institute's statement of activities and changes in net assets. The most significant impact was the recognition of ROU assets and lease liabilities for the Institute's operating leases. As part of the adoption, the Institute also modified its control procedures and processes, none of which materially affected the internal control over financial reporting.

The following table summarizes the cumulative effect of the changes to the statement of financial position line items affected by adopting Topic 842 as of October 1, 2022:

<u>Statement of Financial Position</u>	<u>As Previously Reported</u>	<u>Effect of Adoption</u>	<u>As Adjusted</u>
ROU asset - operating	\$ -	\$ 2,228,533	\$ 2,228,533
Operating lease liabilities	\$ -	\$ 2,841,719	\$ 2,841,719
Deferred rent and lease incentive	\$ 613,186	\$ (613,186)	\$ -

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash

For the purpose of the statements of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash, except those funds that are included in the Institute's investments (see Note 4).

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 having a value of \$5,000 or more are capitalized and are depreciated using the straight-line method over the following estimated useful lives:

Leasehold improvements	Lesser of life of lease or 10 years
Furniture and equipment	3 - 10 years

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. It is the Institute's policy to charge-off uncollectible government contracts and contributions receivable when management determines the receivable will not be collected. No allowance for doubtful accounts was deemed necessary as of September 30, 2023 or 2022.

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.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

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 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 two limited liability partnerships 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, 2023, and 2022, the Institute had no plans to sell this investment.

The Institute also received \$99,509 and \$2,765 of donated stock during the years ended September 30, 2023 and 2022, respectively. Donated stock is recorded at the fair value at the time of donation and maintained as part of the investment portfolio (see Note 4).

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 revenues and expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue (expense) includes investment and capital-related activity.

Revenue Recognition

Government Contracts, Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Institute must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 8). Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Institute should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. Assets received before the barrier is overcome are recorded as conditional advances.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Government Contracts, Grants and Contributions (Continued)

The Institute's primary sources of revenue are derived from cost-reimbursable and unit-rate Federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. These contracts are considered nonreciprocal transactions because the general public receives the benefit as the result of the assets transferred. Amounts are recognized as revenue when the Institute has incurred expenditures in compliance with specific contract or grant provisions.

Grants and contributions and United Way allocations are recorded as revenue and net assets without donor restrictions when unconditionally committed. Grants and contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when unconditionally received or pledged. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in statements of activities and changes in net assets as net assets released from restrictions as costs are incurred, time or program restrictions have lapsed, or capital improvements have been placed into service.

Special events revenue, included in grants and contributions in the accompanying statements of activities and changes in net assets, is from the Institute's ability to host fundraising events. Special event income consists of both contributions and sales. The contribution portion of the special event income is recognized as revenue when unconditionally committed or received in accordance with Topic 958. Special event contributions are considered donor restricted if the proceeds of the event are restricted for specific purposes or time periods at the time of the event.

The sales portion of the special event income is recognized in accordance with *Revenue from Contracts with Customers* (Topic 606) and is derived from various components, including ticket sales from fundraising events held in which the transaction price is determined annually. Registration fees for these events are set by the Institute and have not been allocated as the events are each considered to be separate performance obligations. The fee portion for these events is immaterial and has not been recognized separately from the contribution portion.

Revenue from Contracts with Customers - Topic 606

The Institute generally measures revenue from exchange transactions based on the amount of consideration the Institute expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Institute satisfies its performance obligations under a contract.

The Institute recognized program service fees for legal and translation services provided for clients, in which the clients either pay for the services themselves or are sponsored by corporations, depending on the service provided. Program service fees generally consist of a single performance obligation to provide services, and agreements with clients do not contain variable consideration. Accordingly, program service fees are recognized at a point in time, which is also when the performance obligation is satisfied. The transaction price is a fixed fee based upon the service provided, which is established by management based on hourly rates and expected number of hours to complete the service.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue from Contracts with Customers - Topic 606 (Continued)

Contracted services revenue consists of various training and education service programs provided to immigrants and refugees that span over several months based on the nature of the program or course. There is a single performance obligation for all programs, which consists of the completion of the training and education program or course and related events. Revenue is recognized ratably over the period of the program or course, and the transaction price is based on fixed quoted prices. The contract amount may vary based upon the number of participants in the program and the rate per participant. Generally, a fixed-fee contract is signed by either an individual participant in the program or an organization sponsoring the individuals. The transaction price is determined based upon hourly rates established by management and the number of hours estimated to complete a contract.

Accounts receivable related to revenue from contracts with customers was \$49,313 on October 1, 2021.

Other

Investment return consists of interest, dividends, and realized and unrealized gains and losses. Interest income is recorded as earned and dividend income is recorded on the ex-dividend date. Realized gains and losses on investment transactions are recorded based on the average cost method. Unrealized gains and losses are recorded based on changes in fair value. All other revenue is recognized as earned.

Right-of-Use Asset - Operating Leases and Operating Lease Liabilities

The Institute determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be a lease or contain a lease if the contract conveys the right to control the use of identified property, plant or equipment (an identified asset) in exchange for consideration. The Institute determines such assets are leased because the Institute has the right to obtain substantially all of the economic benefits from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the Institute determines it does not have the right to control and direct the use of the identified asset. The Institute's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating its contracts, the Institute separately identifies lease and non-lease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office space. The Institute has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Institute determines lease classification as operating or finance at the lease commencement date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Right-of-Use Asset - Operating Leases and Operating Lease Liabilities (Continued)

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Institute uses the implicit rate when readily determinable. As most leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk-free rate at lease commencement or date of adoption.

In determining lease terms, lease agreements which include options to extend the lease are considered in the determination of the ROU asset and lease liability when it is reasonably certain that the Institute will exercise that option. Lease expense is generally recognized on a straight-line basis over the lease term.

The Institute has elected not to record leases with an initial term of twelve months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Expense Allocations

Program expenses include direct expenses, as well as indirect expenses, which are allocated based upon management's estimate of the percentage attributable to each program. Expenses related directly to a program or supporting function are charged to that function, while all other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are salaries, payroll taxes and fringe benefits, which are allocated on the basis of estimates of time and effort; occupancy and depreciation, which are allocated on a square footage basis; and indirect other operating expenses, which are allocated based on management's estimate of usage.

Advertising Costs

Costs incurred for producing and communicating advertising are expensed when incurred and are reflected as advertising in the accompanying statements of functional expenses.

Donated Goods and Services

In-kind contributions are reflected as contributions at their fair value of the services and goods received, at date of donation, and are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. The Institute is the recipient of donated services and goods. All donated goods and services were unrestricted in fiscal years 2023 and 2022. These amounts have been reported as both donated services and goods in the accompanying statements of activities and changes in net assets and statements of functional expenses. The Institute recognizes the fair value of contributed services received if such services: a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Donated services are valued at the standard hourly rates charged for those services. Donated goods are valued at the wholesale prices that would be received for selling similar products.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services (Continued)

Donated services and goods consisted of the following for the years ended September 30:

	<u>2023</u>	<u>2022</u>
Donated services	\$ 302,760	\$ 472,565
Donated goods	<u>76,442</u>	<u>258,933</u>
	<u>\$ 379,202</u>	<u>\$ 731,498</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.

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, 2023 or 2022. The Institute's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through February 28, 2024, 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.

Net Assets

Net Assets Without Donor Restrictions:

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Institute. The Institute has grouped its net assets without donor restrictions 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 and ROU assets - operating, net of related liabilities.

Net Assets With Donor Restrictions:

The Institute receives contributions and grants that are designated by donors for specific purposes or time periods. These contributions are recorded as net assets with donor restrictions until they are either expended for their designated purposes or as the time restrictions lapse.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions: (Continued)

Net assets with donor restrictions consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Purpose restricted	\$ 937,010	\$ 1,271,660
Time restricted	<u>1,124,094</u>	<u>830,111</u>
	<u>\$ 2,061,104</u>	<u>\$ 2,101,771</u>

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 one of their first two years of employment. Employee contributions are vested immediately into the plan upon eligibility. The Institute made \$143,087 and \$95,213 of matching contributions to the plan during the years ended September 30, 2023 and 2022, respectively, which are included in payroll taxes and fringe benefits in the accompanying statements of functional expenses.

4. INVESTMENTS

Investments, which are stated at fair value in the accompanying statements of financial position, are as follows:

<u>2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 793,935	\$ -	\$ -	\$ 793,935
Mutual funds:				
Equities	6,093,663	-	-	6,093,663
Fixed income	<u>2,504,413</u>	<u>-</u>	<u>-</u>	<u>2,504,413</u>
	<u>\$ 9,392,011</u>	<u>\$ -</u>	<u>\$ -</u>	9,392,011
Limited liability partnerships (see page 15)				<u>2,011,407</u>
Total investments				<u>\$ 11,403,418</u>
<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,245,785	\$ -	\$ -	\$ 1,245,785
Mutual funds:				
Equities	4,634,759	-	-	4,634,759
Fixed income	690,562	-	-	690,562
Common stock	<u>1,534</u>	<u>-</u>	<u>-</u>	<u>1,534</u>
	<u>\$ 6,572,640</u>	<u>\$ -</u>	<u>\$ -</u>	6,572,640
Limited liability partnership (see page 15)				<u>1,416,564</u>
Total investments				<u>\$ 7,989,204</u>

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

4. INVESTMENTS (Continued)

In accordance with ASU No. 2015-07, the Institute's investments in two limited liability partnerships are valued at fair value using the NAV per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in the tables on page 14 are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying statements of financial position.

Investments are reported in the accompanying statements of financial position as long-term assets based on management's intent with respect to the use of the investments.

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

5. CONCENTRATIONS

The Institute maintains its cash balances in one Massachusetts bank. 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. Management believes the Institute is not exposed to any significant credit risk on its operating cash balance.

Funding agencies and donors exceeding 10% of the Institute's operating revenue and support (excluding donated goods and services) or government contracts, contributions and accounts receivables as of and for the years ended September 30, 2023 and 2022, are as follows:

<u>Funder</u>	<u>Operating Revenue and Support %</u>		<u>Government Contracts, Contributions and Accounts Receivables %</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Commonwealth of Massachusetts	34%	38%	29%	20%
U.S. Committee for Refugees and Immigrants	29%	28%	32%	26%

6. FUNDING

The Institute receives a significant portion of its funding from government agencies. These contracts are subject to audit by these government agencies. 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, 2023 and 2022, or on the changes in its net assets for the years then ended.

7. LEASE AGREEMENTS

Nature of Leases

The Institute leases its main office space in Boston, Massachusetts under an agreement that runs through July 2026. The lease included an initial three-month rent-free period. Monthly lease payments for fiscal years 2023 and 2022 were approximately \$45,000 and \$44,000, respectively, and increase throughout the term of the lease. The lease agreement also includes 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.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

7. LEASE AGREEMENTS (Continued)

Nature of Leases (Continued)

The Institute leases other program and administrative space under various operating lease agreements. Monthly lease payments under these agreements range from \$4,221 to \$6,884. These leases expire at various dates through January 2033. The leases require the Institute to maintain certain insurance coverage and pay for its proportionate share of real estate taxes and operating expenses.

The Institute also has printer and copier leases with monthly payments ranging from \$192 to \$1,041. These leases expire at various dates through July 2026.

ASC Topic 840

Facility rent expense under all leases was approximately \$572,000 for the year ended September 30, 2022, which is included in rent and utilities in the accompanying fiscal year 2022 statement of functional expenses.

Future minimum lease payments under the lease agreements are as follows:

2023	\$ 768,815
2024	785,990
2025	756,869
2026	622,109
2027	146,307
Thereafter	<u>374,117</u>
Total	<u>\$ 3,454,207</u>

ASC Topic 842

The following summarizes the line items in the accompanying statement of functional expenses, which include the components of lease expense for the year ended September 30, 2023:

Operating lease costs included in rent and utilities	\$ 616,978
Operating lease costs included in supplies and materials	14,795
Variable lease costs included in rent and utilities	208,664
Short-term lease cost included in supplies and materials	<u>27,720</u>
Total operating lease expense	<u>\$ 868,157</u>

The maturities of lease liabilities as of September 30, 2023, are as follows:

2024	\$ 786,935
2025	754,292
2026	619,201
2027	139,222
2028	139,792
Thereafter	<u>477,391</u>
Total future undiscounted lease payments	2,916,833
Less - present value discount	<u>(249,995)</u>
Present value of lease liability	<u>\$ 2,666,838</u>

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.

Notes to Financial Statements
September 30, 2023 and 2022

7. LEASE AGREEMENTS (Continued)

ASC Topic 842 (Continued)

The weighted-average discount rate associated with operating leases for the year ended September 30, 2023, is 3.89%. The Institute's weighted-average lease term is 4.81 years for the year ended September 30, 2023.

During the year ended September 30, 2023, cash paid for amounts included in the measurement of operating lease liabilities was \$770,490 and there were \$482,978 of ROU assets obtained in exchange for lease liabilities.

As of September 30, 2023, there were no material leases that have been executed but not yet commenced.

8. CONDITIONAL GOVERNMENT CONTRACTS AND GRANTS

During fiscal years 2023 and 2022, the Institute received grants and contributions (including government contracts) that contained donor-imposed conditions that represent a barrier that must be overcome, as well as a right of return of assets or release from obligations. The Institute recognizes these grants and contributions, including government contracts, when donor-imposed conditions are substantially met.

Conditional promises to give consist of the following at September 30:

	<u>2023</u>	<u>2022</u>
Incurring qualifying expenses	\$ 2,258,842	\$ 3,887,800
Subject to measurable performance barriers	<u>188,240</u>	<u>2,907,015</u>
Total conditional promises to give	<u>\$ 2,447,082</u>	<u>\$ 6,794,815</u>

9. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Institute's financial assets available within one year from the statements of financial position date for general operating expenses are as follows at September 30:

	<u>2023</u>	<u>2022</u>
Cash	\$ 632,175	\$ 5,066,794
Current portion of government contracts and contributions receivable	4,216,844	1,671,722
Accounts receivable	<u>79,289</u>	<u>66,682</u>
	4,928,308	6,805,198
Less - donor restricted cash and contributions receivable	<u>937,010</u>	<u>1,241,660</u>
Total financial assets and liquidity resources available within one year	<u>\$ 3,991,298</u>	<u>\$ 5,563,538</u>

The Institute is substantially supported by grants and contributions without donor restrictions and government contracts. As part of the Institute's liquidity management, the Institute has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Institute has \$9,392,011 and \$6,572,640 of readily available investments as of September 30, 2023 and 2022, respectively, should there be an unanticipated cash flow need.

INTERNATIONAL INSTITUTE OF NEW ENGLAND, INC.Notes to Financial Statements
September 30, 2023 and 2022

10. PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment consist of the following as of September 30:

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 2,751,142	\$ 2,586,602
Furniture and equipment	<u>539,795</u>	<u>642,631</u>
	3,290,937	3,229,233
Less - accumulated depreciation	<u>1,904,629</u>	<u>1,688,472</u>
Net property and equipment	<u>\$ 1,386,308</u>	<u>\$ 1,540,761</u>

Depreciation expense was \$328,530 and \$430,664 for the years ended September 30, 2023 and 2022, respectively.

11. GOVERNMENT CONTRACTS AND CONTRIBUTIONS RECEIVABLE

Government contracts and contributions receivable are expected to be collected as follows at September 30:

	<u>2023</u>	<u>2022</u>
Due in one year	\$ 4,216,844	\$ 1,671,722
Due in two years	412,000	710,000
Due in three years	236,000	-
Due in four years	<u>30,000</u>	<u>-</u>
	4,894,844	2,381,722
Less - discount	42,206	49,889
Less - current portion	<u>4,216,844</u>	<u>1,671,722</u>
	<u>\$ 635,794</u>	<u>\$ 660,111</u>

The discount recorded on amounts to be collected in future years was calculated using a rate of 4.60% and 3.71% for the years ended September 30, 2023 and 2022, respectively.