

TRAVELERS AID INTERNATIONAL, INC.
JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Travelers Aid International, Inc.
Beltsville, MD

We have audited the accompanying financial statements of Travelers Aid International, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 auditors consider 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 in the first paragraph present fairly, in all material respects, the financial position of Travelers Aid International, Inc., as of June 30, 2018 and 2017, and the change 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.

Sarfino and Rhoades LLP

October 19, 2018

TRAVELERS AID INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2018	2017
ASSETS		
Cash (Notes 1 and 11)	\$ 58,112	\$ 49,923
Accounts receivable (Note 1)	195,694	246,042
Investments (Notes 1, 2 and 3)	380,675	358,381
Prepaid expenses and other	8,034	16,279
Property and equipment, net (Notes 1 and 4)	11,968	25,183
TOTAL ASSETS	\$ 654,483	\$ 695,808
 LIABILITIES:		
Line of credit payable (Note 10)	\$ -	\$ 40,000
Software note payable (Note 10)	-	1,180
Accounts payable and accrued expenses	78,310	72,775
Accrued salaries and vacation	26,141	28,155
Grant billings in excess of costs	58,291	-
TOTAL LIABILITIES	\$ 162,742	\$ 142,110
 COMMITMENTS AND CONTINGENCIES (Note 9)		
 NET ASSETS, UNRESTRICTED (Note 1)	491,741	553,698
 TOTAL LIABILITIES AND NET ASSETS	\$ 654,483	\$ 695,808

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

TRAVELERS AID INTERNATIONAL, INC.

STATEMENTS OF ACTIVITIES

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2018</u>	<u>2017</u>
UNRESTRICTED REVENUE AND SUPPORT (Notes 1 and 12):		
Contract services and grants	\$ 1,639,158	\$ 1,556,895
Grants	30,000	30,000
Contributions	50,791	34,529
Interest, dividends and other income	21,270	12,110
Annual meeting	14,175	3,334
Member dues	10,239	17,355
Net realized and unrealized gains on investments	5,085	23,660
TOTAL UNRESTRICTED REVENUE AND SUPPORT	<u>\$ 1,770,718</u>	<u>\$ 1,677,883</u>
EXPENSES:		
National Operations:		
Program services	\$ 523,712	\$ 541,344
Support services:		
Management and general	108,233	92,407
Fundraising	67,819	42,742
Total National Operations	<u>\$ 699,764</u>	<u>\$ 676,493</u>
Local Operations (Note 8):		
Program services	\$ 1,068,334	\$ 1,090,656
Support services:		
Fundraising	46,842	47,811
Management and general	17,735	10,823
Total Local Operations	<u>\$ 1,132,911</u>	<u>\$ 1,149,290</u>
TOTAL EXPENSES	<u>\$ 1,832,675</u>	<u>\$ 1,825,783</u>
CHANGE IN UNRESTRICTED NET ASSETS	\$ (61,957)	\$ (147,900)
NET ASSETS, UNRESTRICTED, BEGINNING OF YEAR	<u>553,698</u>	<u>701,598</u>
NET ASSETS, UNRESTRICTED, END OF YEAR	<u>\$ 491,741</u>	<u>\$ 553,698</u>

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

TRAVELERS AID INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30,

	2018					2017				
	Supporting Services				Total	Supporting Services				Total
	Program Services	Management and General	Fundraising	Supporting Services		Program Services	Management and General	Fundraising	Supporting Services	
NATIONAL OPERATIONS EXPENSES:										
Personnel costs:										
Salaries and wages	\$ 213,165	\$ 45,678	\$ 45,678	\$ 91,356	\$ 304,521	\$ 241,382	\$ 37,136	\$ 30,946	\$ 68,082	\$ 309,464
Employee benefits	29,573	6,337	6,337	12,674	42,247	33,146	5,099	4,249	9,348	42,494
Payroll taxes	14,952	3,204	3,204	6,408	21,360	21,450	3,300	2,750	6,050	27,500
Total personnel costs	<u>\$ 257,690</u>	<u>\$ 55,219</u>	<u>\$ 55,219</u>	<u>\$ 110,438</u>	<u>\$ 368,128</u>	<u>\$ 295,978</u>	<u>\$ 45,535</u>	<u>\$ 37,945</u>	<u>\$ 83,480</u>	<u>\$ 379,458</u>
Contracted services	157,478	-	-	-	157,478	128,184	-	-	-	128,184
Annual meeting	39,891	-	-	-	39,891	40,506	-	-	-	40,506
Travel	19,663	-	1,035	1,035	20,698	22,238	1,907	-	1,907	24,145
Consulting and legal	13,322	10,657	2,664	13,321	26,643	16,996	11,330	-	11,330	28,326
Rent	11,660	2,498	2,498	4,996	16,656	12,867	1,979	1,650	3,629	16,496
Depreciation and amortization	-	13,215	-	13,215	13,215	-	12,746	-	12,746	12,746
Telephone and communications	7,814	1,675	1,675	3,350	11,164	5,020	772	643	1,415	6,435
Auditing and accounting	-	10,471	-	10,471	10,471	-	10,398	-	10,398	10,398
Insurance	-	8,019	-	8,019	8,019	-	3,237	-	3,237	3,237
Program development	4,482	-	1,921	1,921	6,403	5,864	-	309	309	6,173
Payroll services	4,123	884	884	1,768	5,891	4,791	299	899	1,198	5,989
Office supplies and postage	3,035	433	867	1,300	4,335	3,346	956	478	1,434	4,780
Dues and subscriptions	2,762	-	691	691	3,453	4,555	-	804	804	5,359
Bank charges	-	2,986	-	2,986	2,986	-	1,007	-	1,007	1,007
Maintenance	1,353	1,083	271	1,354	2,707	893	892	-	892	1,785
Board of directors meetings	-	999	-	999	999	-	1,333	-	1,333	1,333
Printing and copying	439	94	94	188	627	106	16	14	30	136
TOTAL NATIONAL EXPENSES	<u>\$ 523,712</u>	<u>\$ 108,233</u>	<u>\$ 67,819</u>	<u>\$ 176,052</u>	<u>\$ 699,764</u>	<u>\$ 541,344</u>	<u>\$ 92,407</u>	<u>\$ 42,742</u>	<u>\$ 135,149</u>	<u>\$ 676,493</u>

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

TRAVELERS AID INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEARS ENDED JUNE 30,

	2018					2017				
	Supporting Services				Total	Supporting Services				Total
	Program Services	Management and General	Fundraising	Supporting Services		Program Services	Management and General	Fundraising	Supporting Services	
LOCAL OPERATIONS EXPENSES:										
Personnel costs:										
Salaries and wages	\$ 704,869	\$ -	\$ 37,098	\$ 37,098	\$ 741,967	\$ 736,690	\$ -	\$ 38,773	\$ 38,773	\$ 775,463
Employee benefits	97,229	-	5,117	5,117	102,346	85,649	-	4,508	4,508	90,157
Payroll taxes	56,237	-	2,960	2,960	59,197	57,112	-	3,006	3,006	60,118
Total personnel costs	\$ 858,335	\$ -	\$ 45,175	\$ 45,175	\$ 903,510	\$ 879,451	\$ -	\$ 46,287	\$ 46,287	\$ 925,738
Volunteer expense	108,699	-	-	-	108,699	110,289	-	-	-	110,289
Transportation assistance	45,405	-	-	-	45,405	49,785	-	-	-	49,785
Office supplies and postage	15,780	-	832	832	16,612	15,057	-	792	792	15,849
Telephone and communications	12,703	-	669	669	13,372	9,547	-	502	502	10,049
Auditing and accounting	-	10,899	-	10,899	10,899	-	10,823	-	10,823	10,823
Grants	10,000	-	-	-	10,000	-	-	-	-	-
Insurance	-	6,836	-	6,836	6,836	4,988	-	-	-	4,988
Incentive plan	4,918	-	-	-	4,918	582	-	-	-	582
Travel	3,414	-	-	-	3,414	3,307	-	-	-	3,307
Printing and copying	3,162	-	166	166	3,328	4,367	-	230	230	4,597
Dues and subscriptions	2,822	-	-	-	2,822	2,410	-	-	-	2,410
Client assistance	1,972	-	-	-	1,972	3,869	-	-	-	3,869
Miscellaneous	821	-	-	-	821	956	-	-	-	956
Equipment rental and maintenance	303	-	-	-	303	4,847	-	-	-	4,847
Payroll service	-	-	-	-	-	1,201	-	-	-	1,201
TOTAL LOCAL EXPENSES	\$ 1,068,334	\$ 17,735	\$ 46,842	\$ 64,577	\$ 1,132,911	\$ 1,090,656	\$ 10,823	\$ 47,811	\$ 58,634	\$ 1,149,290

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

TRAVELERS AID INTERNATIONAL, INC.

STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED	
	JUNE 30,	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from contracts, grants, contributors and members	\$ 1,798,772	\$ 1,668,915
Cash paid to suppliers and employees	(1,749,402)	(1,767,285)
Interest and dividends received	<u>17,209</u>	<u>9,059</u>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	<u>\$ 66,579</u>	<u>\$ (89,311)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	\$ 10,000	\$ 85,947
Purchases of investments	(27,210)	(243,761)
Payments for purchases of property and equipment	<u>-</u>	<u>(3,125)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (17,210)</u>	<u>\$ (160,939)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) on line of credit	\$ (40,000)	\$ 40,000
Payments on software note payable	<u>(1,180)</u>	<u>(14,162)</u>
NET CASH PROVIDED BY (USED IN)		
FINANCING ACTIVITIES	<u>\$ (41,180)</u>	<u>\$ 25,838</u>
NET CHANGE IN CASH	\$ 8,189	\$ (224,412)
CASH, BEGINNING OF YEAR	<u>49,923</u>	<u>274,335</u>
CASH, END OF YEAR	<u>\$ 58,112</u>	<u>\$ 49,923</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO		
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES:		
Change in net assets	\$ (61,957)	\$ (147,900)
Reconciliation adjustments:		
Depreciation and amortization	13,215	12,746
Net realized and unrealized gains on investments	(5,085)	(23,660)
Changes in operating assets and liabilities:		
Decrease in accounts receivable	50,348	23,751
Decrease (increase) in prepaid expenses and other	8,245	(9,895)
Increase in grant billings in excess of costs	58,291	-
Increase (decrease) in accounts payable and accrued expenses	5,536	52,425
Increase (decrease) in accrued salaries and vacation	<u>(2,014)</u>	<u>3,222</u>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	<u>\$ 66,579</u>	<u>\$ (89,311)</u>

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

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1. **Organization and Summary of Significant Accounting Policies**

Organization - The purpose of Travelers Aid International, Inc. (the Organization) is to advance and support a national movement of human service provider organizations committed to individuals and families who are in crisis or transition and are disconnected from their support systems. Specific services provided include: monthly information memos, quarterly newsletters, an annual leadership conference, a website for information exchange, technical assistance, and national program development on behalf of all the member agencies. The Organization performs public services under grants and contracts from agencies, and is also funded through membership dues from participating agencies and contributions from individuals, foundations and business organizations.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Basis of Presentation - The Organization reports information regarding its financial position and activities according to the three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Currently, the Organization does not have any temporarily or permanently restricted net assets.

Revenue Recognition - Contract revenue is recognized when earned. Grants and contributions are recognized at the earlier of when the donor makes a promise to give to the Organization that is, in substance, unconditional or when they are received. Membership dues are recognized as revenue over the fiscal year membership period.

Cash - For purposes of the statements of cash flows, the Organization considers its checking and money market savings account balances to be cash.

Accounts Receivable - Receivables are due primarily from organizations with which Travelers Aid International, Inc. has contractual relationships, primarily the Port Authority of New York and New Jersey, the Metropolitan Washington Airports Authority and the Government of the District of Columbia. These receivables represent billed amounts for work performed on contracts but not paid as of year-end. Receivables are uncollateralized. Based on management's assessment of the credit history of agencies, members and organizations with outstanding balances and current relationships, management has concluded that realization of losses on balances outstanding at year-end will be immaterial.

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1. **Organization and Summary of Significant Accounting Policies** - (Continued)

Investments - Investments in marketable securities with readily determinable values are stated at fair value at the statement of financial position date and are subject to change thereafter due to market conditions. Net realized and unrealized gains and losses on investments are reflected in the statements of activities.

Property and Equipment - Property and equipment exceeding \$750 is capitalized at cost. The Organization provides for depreciation and amortization using the straight-line method based on estimated useful lives of three to five years. When properties are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in the statements of activities. Maintenance and repairs are expensed when incurred.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized by management on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

Note 2. **Investments** - The Organization's investments consisted of various mutual funds at June 30, 2018 and 2017. Investment fees netted against interest and dividend income for the year ended June 30, 2017 were \$1,102.

Note 3. **Fair Value Measurements** - Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 3. **Fair Value Measurements** - (Continued)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds - Valued at the net asset value on the last business day of the fiscal year.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 380,675	\$ -	\$ -	\$ 380,675

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 358,381	\$ -	\$ -	\$ 358,381

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 4. **Property and Equipment** - The Organization's property and equipment consisted of the following at June 30:

	2018	2017
Furniture and fixtures	\$ 15,661	\$ 15,661
Software and computers	41,171	41,171
Website	9,325	9,325
Subtotals	\$ 66,157	\$ 66,157
Less, Accumulated depreciation and amortization	54,189	40,974
Property and equipment, net	\$ 11,968	\$ 25,183

Depreciation and amortization expense for the years ended June 30, 2018 and 2017 was \$13,215 and \$12,746, respectively.

Note 5. **Donated Services** - The Organization receives donated services from unpaid volunteers who assist in carrying out the Organization's purpose. For the years ended June 30, 2018 and 2017, management has estimated the value of those services to be \$4,201,661 and \$4,304,234 based on its tabulation of 113,140 and 118,000 volunteer hours, respectively. Under accounting principles generally accepted in the United States of America, the value of non-specialty donated services is not recognized in the financial statements.

Note 6. **Retirement Plan** - The Organization maintains a defined contribution plan (the Plan) under Internal Revenue Code subsection 401(k) covering all employees. The Plan provides for employee deferrals up to the maximum Internal Revenue Code limitations. All employees are eligible to make voluntary contributions to the Plan regardless of age or years of service.

Note 7. **Income Tax Status** - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income taxes on unrelated business income. The Organization had no unrelated business income for the years ended June 30, 2018 and 2017.

Note 8. **Local Operations** - On August 1, 1997, the Organization assumed the operation of the programs and services formerly provided by the Travelers Aid Society of Washington D.C., Inc., including the service contracts at Ronald Reagan Washington National and Washington Dulles International airports.

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 8. **Local Operations** - (Continued)

On June 1, 2000, the Organization assumed the operation of the programs and services formerly provided by Victim Services of New York, including the service contracts at Newark Liberty International and John F. Kennedy International airports.

These programs are managed and accounted for as activities separate from the Organization's core services, but are included in these financial statements. The expenses of these programs are presented in the statements of activities as Local Operations.

Note 9. **Commitments and Contingencies** - The Organization entered into a lease agreement in September 2014 for office space in Greenbelt, Maryland. The lease commenced on November 1, 2014 and will expire on October 31, 2019.

The approximate future minimum lease payments under the office lease are as follows:

Years ending June 30,	Amount
2019	\$ 16,656
2020	5,720
Total	<u>\$ 22,376</u>

Rent expense for the years ended June 30, 2018 and 2017 was \$16,656 and \$16,496, respectively.

The Organization enters into an agreement with a facility for its annual conference. This type of agreement generally contains provisions which obligate the Organization to book a minimum number of room nights and to spend certain minimums for food and beverages. Should these minimums not be achieved, the agreement may obligate the Organization to pay certain specified amounts.

Contracts with government agencies and quasi-public authorities are generally subject to audit and, therefore, costs could ultimately be disallowed upon audit. Management does not anticipate any costs to be disallowed, and if so, management believes they would not be material to the financial statements.

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 10. **Note Payable and Line of Credit** - The Organization was obligated under a non-interest bearing financing agreement for software with a net book value of \$4,758, payable in monthly installments of \$1,180. The note payable was paid off during the year ended June 30, 2018.

The Organization maintains a revolving line of credit in the amount of \$50,000. The line of credit bears an interest rate of prime plus 1.85% and expires March 14, 2019. Assets held at this financial institution may be used as security for the line of credit. As of June 30, 2018, there was no balance outstanding on the line of credit.

Note 11. **Concentration of Credit Risk** - Financial instruments, which potentially subject the Organization to concentrations of credit risk, include cash deposits with commercial banks and investment brokers. The Organization's cash management policies generally limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. The Organization's cash accounts held by a brokerage firm were deposited in qualifying FDIC accounts, subject to any limitations in coverage by the FDIC.

Note 12. **Concentration of Revenues** - Approximately 76% of the Organization's revenue each year is derived from contracts from two sources that likely would not be replaceable if they were discontinued. If the sources of revenue were lost and other sources could not be found, it could result in a significant change in the Organization's ongoing operations. The Organization maintains a three-year contract with one source through June 2020, and the contract includes two option years thereafter. The contract with the other source has expired but has been extended through January 31, 2019.

Note 13. **Reclassifications** - Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the current year presentation.

Note 14. **Subsequent Events** - In preparation of these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 19, 2018, which is the date the financial statements were available to be issued.