

TRAVELERS AID INTERNATIONAL, INC.
JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Travelers Aid International, Inc.
Washington, D.C.

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, 2016 and 2015, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2016 and 2015, 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.

Sarfin and Rhoades LLP

November 29, 2016

TRAVELERS AID INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION

	JUNE 30,	
	2016	2015
ASSETS		
Cash (Notes 1 and 11)	\$ 274,335	\$ 313,814
Accounts receivable (Note 1)	269,793	353,313
Investments (Notes 1, 2 and 3)	176,908	184,906
Property and equipment, net (Notes 1 and 4)	34,804	35,197
Prepaid expenses and other	6,383	9,987
TOTAL ASSETS	\$ 762,223	\$ 897,217
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 20,350	\$ 38,450
Accrued salaries and vacation	24,933	50,192
Software note payable (Note 10)	15,342	29,503
TOTAL LIABILITIES	\$ 60,625	\$ 118,145
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET ASSETS, UNRESTRICTED (Note 1):	701,598	779,072
TOTAL LIABILITIES AND NET ASSETS	\$ 762,223	\$ 897,217

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

TRAVELERS AID INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED
JUNE 30,

2016 2015

UNRESTRICTED SUPPORT AND REVENUE (Notes 1 and 12):

Contract services and grants	\$ 1,589,154	\$ 1,557,701
Bequest	78,431	2,900
Grants	31,714	30,000
Contributions	26,216	34,141
Member dues	24,448	25,812
Interest, dividends and other income	8,152	7,639
Annual meeting	3,485	2,115
Net realized and unrealized losses on investments	<u>(15,178)</u>	<u>(5,900)</u>
TOTAL REVENUE	<u>\$ 1,746,422</u>	<u>\$ 1,654,408</u>

EXPENSES:

National Operations:		
Program services	\$ 550,692	\$ 499,712
Support services:		
Management and general	96,610	86,029
Fundraising	<u>44,145</u>	<u>43,994</u>
Total National Operations	<u>\$ 691,447</u>	<u>\$ 629,735</u>
Local Operations (Note 8):		
Program services	\$ 1,075,522	\$ 953,410
Support services:		
Management and general	11,218	8,971
Fundraising	<u>45,709</u>	<u>40,688</u>
Total Local Operations	<u>\$ 1,132,449</u>	<u>\$ 1,003,069</u>
TOTAL EXPENSES	<u>\$ 1,823,896</u>	<u>\$ 1,632,804</u>

CHANGE IN UNRESTRICTED NET ASSETS	\$ (77,474)	\$ 21,604
NET ASSETS, UNRESTRICTED, BEGINNING OF YEAR	<u>779,072</u>	<u>757,468</u>
NET ASSETS, END OF YEAR	<u>\$ 701,598</u>	<u>\$ 779,072</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,

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
NATIONAL OPERATIONS EXPENSES:								
Personnel costs:								
Salaries and wages	\$ 248,891	\$ 38,291	\$ 31,909	\$ 319,091	\$ 277,311	\$ 42,663	\$ 35,552	\$ 355,526
Employee benefits	32,302	4,970	4,141	41,413	12,185	1,874	1,562	15,621
Payroll taxes	21,584	3,321	2,767	27,672	18,888	2,906	2,421	24,215
Total personnel costs	<u>\$ 302,777</u>	<u>\$ 46,582</u>	<u>\$ 38,817</u>	<u>\$ 388,176</u>	<u>\$ 308,384</u>	<u>\$ 47,443</u>	<u>\$ 39,535</u>	<u>\$ 395,362</u>
Contracted services	124,911	-	-	124,911	101,037	-	-	101,037
Travel	56,313	2,964	-	59,277	26,503	1,435	-	27,938
Consulting and legal	12,791	12,791	-	25,582	10,502	10,503	-	21,005
Telephone and communications	13,384	2,060	1,716	17,160	5,569	857	714	7,140
Rent (Note 7)	12,617	1,941	1,618	16,176	13,567	2,087	1,739	17,393
Annual meeting	12,040	-	-	12,040	17,032	-	-	17,032
Auditing and accounting	-	10,777	-	10,777	-	8,550	-	8,550
Depreciation	-	6,592	-	6,592	-	1,608	-	1,608
Board of directors meetings	-	6,443	-	6,443	-	3,235	-	3,235
Program development	5,696	-	633	6,329	2,140	-	238	2,378
Dues and subscriptions	4,163	-	735	4,898	7,012	-	1,237	8,249
Office supplies and postage	3,736	575	479	4,790	3,280	938	468	4,686
Insurance	-	3,917	-	3,917	-	3,733	-	3,733
Maintenance	1,120	1,119	-	2,239	-	-	-	-
Printing and copying	1,144	176	147	1,467	489	75	63	627
Bank charges	-	673	-	673	-	1,369	-	1,369
Miscellaneous	-	-	-	-	4,197	4,196	-	8,393
TOTAL NATIONAL EXPENSES	<u>\$ 550,692</u>	<u>\$ 96,610</u>	<u>\$ 44,145</u>	<u>\$ 691,447</u>	<u>\$ 499,712</u>	<u>\$ 86,029</u>	<u>\$ 43,994</u>	<u>\$ 629,735</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,

	2016				2015			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
LOCAL OPERATIONS EXPENSES:								
Personnel costs:								
Salaries and wages	\$ 705,339	\$ -	\$ 37,123	\$ 742,462	\$ 613,333	\$ -	\$ 32,336	\$ 645,669
Employee benefits	79,591	-	4,189	83,780	77,895	-	4,100	81,995
Payroll taxes	58,293	-	3,068	61,361	53,145	-	2,797	55,942
Total personnel costs	\$ 843,223	\$ -	\$ 44,380	\$ 887,603	\$ 744,373	\$ -	\$ 39,233	\$ 783,606
Volunteer expense	128,128	-	-	128,128	114,456	-	-	114,456
Transportation assistance	55,544	-	-	55,544	45,027	-	-	45,027
Office supplies and postage	14,429	-	760	15,189	14,597	-	768	15,365
Auditing and accounting	-	11,218	-	11,218	-	8,971	-	8,971
Telephone and communications	8,527	-	449	8,976	11,149	-	587	11,736
Incentive plan	5,301	-	-	5,301	64	-	-	64
Insurance	4,968	-	-	4,968	5,369	-	-	5,369
Equipment rental and maintenance	4,154	-	-	4,154	4,015	-	-	4,015
Client assistance	2,658	-	-	2,658	3,080	-	-	3,080
Printing and copying	2,274	-	120	2,394	1,889	-	100	1,989
Dues and subscriptions	2,332	-	-	2,332	2,353	-	-	2,353
Miscellaneous	2,002	-	-	2,002	897	-	-	897
Travel	1,272	-	-	1,272	4,419	-	-	4,419
Payroll service	710	-	-	710	1,722	-	-	1,722
TOTAL LOCAL EXPENSES	\$ 1,075,522	\$ 11,218	\$ 45,709	\$ 1,132,449	\$ 953,410	\$ 8,971	\$ 40,688	\$ 1,003,069

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>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members, agencies and contributors	\$ 1,839,872	\$ 1,656,400
Cash paid to suppliers and employees	(1,857,058)	(1,629,048)
Interest and dividends received	<u>5,248</u>	<u>6,232</u>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	<u>\$ (11,938)</u>	<u>\$ 33,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	\$ 15,775	\$ 22,965
Purchases of investments	(22,955)	(62,498)
Payments for purchases of property and equipment	(6,200)	(3,073)
Payments for security deposits	<u>-</u>	<u>(1,080)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>\$ (13,380)</u>	<u>\$ (43,686)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on software note payable	<u>\$ (14,161)</u>	<u>\$ (12,981)</u>
NET CHANGE IN CASH	\$ (39,479)	\$ (23,083)
CASH, BEGINNING OF YEAR	<u>313,814</u>	<u>336,897</u>
CASH, END OF YEAR	<u>\$ 274,335</u>	<u>\$ 313,814</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO		
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Change in net assets	\$ (77,474)	\$ 21,604
Reconciliation adjustments:		
Depreciation and amortization	6,592	1,608
Net realized and unrealized losses on investments	15,178	5,900
Software expense financed with note payable	-	6,730
Changes in operating assets and liabilities:		
Decrease in accounts receivable	83,520	2,324
Decrease (increase) in prepaid expenses and other	3,605	(1,348)
Decrease in accounts payable and accrued expenses	(18,100)	(3,818)
Increase (decrease) in accrued salaries and vacation	(25,259)	6,619
Decrease in accrued liability - Port Authority	<u>-</u>	<u>(6,035)</u>
NET CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES	<u>\$ (11,938)</u>	<u>\$ 33,584</u>
NON-CASH ACTIVITY:		
Software financed through note payable	<u>\$ -</u>	<u>\$ 28,545</u>
Prepaid maintenance contract through note payable	<u>\$ -</u>	<u>\$ 7,209</u>

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

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, annual leadership conference, a website for information exchange, technical assistance, and national program development on behalf of all the member agencies. The Organization is funded through membership dues from participating agencies and contributions from individuals, foundations and business organizations, and also performs services under grants and contracts from agencies.

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 - Membership dues are recognized as revenue over the fiscal year membership period. 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.

Cash - For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable - Receivables are due 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 represents 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 with grantors, members and organizations having outstanding balances and current relationships with them, it 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, 2016 AND 2015

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. The 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 using the straight-line method based on estimated useful lives of three to five years. When properties are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts with any resulting gain or loss reflected in income. 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.

Note 2. **Investments** – Investments are stated at fair value and were comprised of mutual funds.

Note 3. **Fair Value Measurement** - 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.

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;

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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

- 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 year.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 176,908	\$ -	\$ -	\$ 176,908
Totals	<u>\$ 176,908</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 176,908</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 184,906	\$ -	\$ -	\$ 184,906
Totals	<u>\$ 184,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,906</u>

Investment fees netted against interest and dividend income for the years ended June 30, 2016 and 2015 were \$3,049 and \$2,585, respectively.

TRAVELERS AID INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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

	<u>2016</u>	<u>2015</u>
Furniture and fixtures	\$ 17,436	\$ 17,436
Software and computers	41,171	41,171
Website	<u>6,200</u>	<u>-</u>
Subtotals	\$ 64,807	\$ 58,607
Less, Accumulated depreciation and amortization	<u>30,003</u>	<u>23,410</u>
Totals	<u>\$ 34,804</u>	<u>\$ 35,197</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$6,592 and \$1,608, 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, 2016 and 2015, management has estimated the value of those services to be \$3,552,007 and \$2,913,818 based on its tabulation of 114,507 and 99,346 volunteer hours, respectively. Under accounting principles generally accepted in the United States of America, the value of non-specialty donated services is not generally 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(a) of the Internal Revenue Code as an organization exempt under Section 501(c)(3) except for income taxes on unrelated business income. The Organization had no unrelated business income for the years ended June 30, 2016 and 2015.

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 Washington Reagan and Dulles airports.

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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 and John F. Kennedy 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:

Year ending June 30,	Amount
2017	\$ 16,496
2018	16,656
2019	16,656
2020	5,720
Total	<u>\$ 55,528</u>

Rent expense for the years ended June 30, 2016 and 2015 was \$16,176 and \$17,393, 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 these financial statements.

Note 10. **Note Payable and Line of Credit** - The Organization entered into a non-interest bearing financing agreement for software with a net book value of \$23,787, payable in monthly installments of \$1,180, and due July 2017.

TRAVELERS AID INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

Note 10. **Note Payable and Line of Credit** - (Continued)

The approximate future maturities of long-term debt are as follows:

Year ending June 30,	Amount
2017	\$ 14,161
2018	1,180
Total	<u>\$ 15,341</u>

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 in March 2017. Assets held at this financial institution may be used as security for the line of credit. As of June 30, 2016 and 2015, there were no amounts 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 FDIC.

Note 12. **Concentration of Revenues** - Approximately 75% 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, however, obtained a five-year contract with two option years with one source, and a three-year contract with two option years with the other source during the year ended June 30, 2012.

Note 13. **Subsequent Events** - Subsequent events have been evaluated through November 29, 2016, which is the date the financial statements were available to be issued.