Consolidated Financial Statements and Independent Auditor's Report

Refugee and Immigrant Center for Education and Legal Services

For the years ended December 31, 2022 and 2021

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REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES

DECEMBER 31, 2022 AND 2021

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Independent Auditor's Report

To the Board of Directors
Refugee and Immigrant Center for Education and Legal Services

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Refugee and Immigrant Center for Education and Legal Services (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards and *Government Auditing Standards* 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 consolidated financial statements.

Auditor’s Responsibility for the Audit of the Consolidated Financial Statements (Continued)

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 Organization’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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2024, on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.

Lane Gorman Trubitt, LLC

Dallas, Texas
March 19, 2024

Refugee and Immigrant Center for Education and Legal Services
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31,

	2022	2021 (as restated)
ASSETS		
Cash and cash equivalents	$ 13,765,931	$ 44,004,243
Certificates of deposit	503,123	503,057
Contracts and grants receivable	4,735,099	2,555,800
Accounts receivable - program, net	1,301,100	2,140,870
Investments	22,462,518	-
Prepaid expenses	371,403	399,858
Security deposits and other assets	15,227	62,461
Property and equipment - net	144,540	157,973
Right-of-use assets - operating - net	1,179,211	-
TOTAL ASSETS	$ 44,478,152	$ 49,824,262
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 617,632	$ 465,667
Bonds payable	118,000	111,000
Payroll liabilities	527,010	519,267
Accrued vacation and other liabilities	691,958	766,509
Lease liabilities - operating	1,162,368	-
Deferred revenue	355,194	274,866
Paycheck Protection Program loan payable	377,116	3,973,384
Total liabilities	3,849,278	6,110,693
COMMITMENTS AND CONTINGENCIES	-	-
NET ASSETS		
Without donor restrictions	39,869,258	43,219,695
With donor restrictions	759,616	493,874
Total net assets	40,628,874	43,713,569
TOTAL LIABILITIES AND NET ASSETS	$ 44,478,152	$ 49,824,262

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

Refugee and Immigrant Center for Education and Legal Services
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grant income	$ 3,423,303	$ -	$ 3,423,303
Contribution income	9,747,843	1,275,000	11,022,843
In-kind contributions	76,639	-	76,639
Fees for services	209,380	-	209,380
Investment loss, net	(2,011,193)	-	(2,011,193)
Other income	737,304	-	737,304
Gain on extinguishment of debt	3,157,200	-	3,157,200
Contract revenue	14,688,865	-	14,688,865
Total support and revenue	30,029,341	1,275,000	31,304,341
Net assets released from restrictions	1,009,258	(1,009,258)	-
Total support and revenue, net of releases	31,038,599	265,742	31,304,341
EXPENSES			
Program services	25,581,324	-	25,581,324
Supporting services			
Management and general	5,888,147	-	5,888,147
Fundraising	2,919,565	-	2,919,565
Total expenses	34,389,036	-	34,389,036
CHANGE IN NET ASSETS	(3,350,437)	265,742	(3,084,695)
NET ASSETS, beginning of year (as restated)	43,219,695	493,874	43,713,569
NET ASSETS, end of year	$ 39,869,258	$ 759,616	$ 40,628,874

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

Refugee and Immigrant Center for Education and Legal Services
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended December 31, 2021
(as restated)

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grant income	$ 1,505,091	$ -	$ 1,505,091
Contribution income	12,526,004	1,896,123	14,422,127
In-kind contributions	111,905	-	111,905
Fees for services	152,502	-	152,502
Interest and other income	39,457	-	39,457
Contract revenue	11,725,566	-	11,725,566
Total support and revenue	26,060,525	1,896,123	27,956,648
Net assets released from restrictions	1,665,734	(1,665,734)	-
Total support and revenue, net of releases	27,726,259	230,389	27,956,648
EXPENSES			
Program services	22,967,645	-	22,967,645
Supporting services			
Management and general	6,269,722	-	6,269,722
Fundraising	2,775,025	-	2,775,025
Total expenses	32,012,392	-	32,012,392
CHANGE IN NET ASSETS	(4,286,133)	230,389	(4,055,744)
NET ASSETS, beginning of year	46,085,652	1,683,661	47,769,313
Restatement (see Note 7)	1,420,176	(1,420,176)	-
NET ASSETS, end of year	$ 43,219,695	$ 493,874	$ 43,713,569

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

Refugee and Immigrant Center for Education and Legal Services
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Total
Payroll	$ 18,290,730	$ 4,347,936	$ 1,736,534	$ 24,375,200
Client assistance	3,981,200	-	-	3,981,200
Depreciation	-	12,588	-	12,588
Marketing and fundraising	5,370	-	237,804	243,174
Insurance	74,267	8,252	7,073	89,592
Occupancy	1,018,087	203,033	95,889	1,317,009
Office expense	706,153	258,049	162,690	1,126,892
Professional fees and contract services	804,901	818,907	388,359	2,012,167
Staff development and fees	287,921	27,018	17,303	332,242
Information technology	294,637	37,650	25,036	357,323
Bank fees	3,449	98,698	186,129	288,276
Travel	36,517	18,276	62,398	117,191
In-kind	76,639	-	-	76,639
Other	1,453	57,740	350	59,543
Total expenses	$ 25,581,324	$ 5,888,147	$ 2,919,565	$ 34,389,036

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

Refugee and Immigrant Center for Education and Legal Services
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Payroll	$ 17,500,818	$ 4,457,101	$ 1,989,112	$ 23,947,031
Client assistance	2,533,047	-	-	2,533,047
Depreciation	-	12,588	-	12,588
Marketing and fundraising	10,587	2,171	157,818	170,576
Insurance	16,568	55,744	15,353	87,665
Occupancy	978,966	210,524	-	1,189,490
Office expense	360,261	80,873	68,737	509,871
Professional fees and contract services	617,606	840,063	210,050	1,667,719
Staff development and fees	173,669	70,260	18,203	262,132
Information technology	605,977	437,362	72,406	1,115,745
Bank fees	11,486	12,297	204,428	228,211
Travel	26,610	34,967	7,860	69,437
In-kind	111,905	-	-	111,905
Bad debts	14,387	-	-	14,387
Other	5,758	55,772	31,058	92,588
Total expenses	$ 22,967,645	$ 6,269,722	$ 2,775,025	$ 32,012,392

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

Refugee and Immigrant Center for Education and Legal Services
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31,

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (3,084,695)	$ (4,055,744)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,588	12,588
Operating lease cost	780,776	-
Bad debts	-	14,387
Interest income added to certificates of deposits	(66)	(341)
Net realized and unrealized losses on investments	2,345,902	-
Gain on extinguishment of debt	(3,157,200)	-
Changes in operating assets and liabilities:		
Contracts and grants receivable	(2,179,299)	(965,463)
Accounts receivable - program	839,770	(1,109,326)
Prepaid expenses	28,455	(246,823)
Security deposits and other assets	(16,344)	(1,446)
Accounts payable	151,965	42,775
Bank overdrafts	-	(489,055)
Payroll liabilities	7,743	76,551
Accrued vacation and other liabilities	(74,551)	375,030
Deferred revenue	80,328	274,866
Lease liabilities - operating	(734,041)	-
Bonds payable	7,000	59,500
Net cash used in operating activities	(4,991,669)	(6,012,501)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(26,790,578)	-
Proceeds from sales of investments	1,982,158	-
Purchases of property and equipment	845	-
Net cash used in investing activities	(24,807,575)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Paycheck Protection Program loan payable	(439,068)	-
Net cash used in financing activities	(439,068)	-
DECREASE IN CASH AND CASH EQUIVALENTS	(30,238,312)	(6,012,501)
CASH AND CASH EQUIVALENTS, beginning of year	44,004,243	50,016,744
CASH AND CASH EQUIVALENTS, end of year	$ 13,765,931	$ 44,004,243
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	86,236	$ -
Noncash investing and financing activities:		
Addition of right-of-use assets - operating	$ 1,943,937	$ -
Security deposits and other assets netted against right-of-use assets	(63,578)	-
Addition of lease liabilities - operating	$ 1,880,359	$ -

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

NATURE OF BUSINESS

Refugee and Immigrant Center for Education and Legal Services ("RAICES"), formerly known as Refugee Aid Project, Inc., is a Texas not-for-profit corporation that models a welcoming nation by fighting for the freedoms of immigrant, refugee, and asylum-seeking families.

Founded in San Antonio in 1986, RAICES is now the largest immigration legal services provider in Texas, and pairs direct legal representation and social services case management with impact litigation and advocacy focused on expanding permanent protections for immigrants and changing the narrative around immigration in the United States.

In addition to its San Antonio headquarters, RAICES maintains a presence in Austin, Corpus Christi, Dallas, Fort Worth, Houston, and Laredo — and makes immigration legal services accessible in rural communities throughout the state of Texas. Each year, RAICES opens approximately 10,000 affirmative and removal defense direct representation cases for families and children; provides legal rights presentations and screenings in 15 shelters and select emergency facilities for unaccompanied minors; and supports more than 400 parents and children through refugee resettlement programming.

RAICES Action Fund is an independent not-for-profit social welfare organization conceived to empower historically marginalized immigrants, refugees, and asylum seekers in the United States. RAICES Action Fund represents the advocacy arm of the movement for migrant justice and was originally established in 2019 to engage civilians in awareness and understanding activities, including public education campaigns, grassroots organizing, and legislative advocacy.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by the Organization in the preparation of the accompanying consolidated financial statements is as follows:

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Principles of Consolidation

The consolidated financial statements include the accounts and transactions of RAICES and RAICES Action Fund (collectively referred to as the "Organization"). All significant intercompany accounts and transactions have been eliminated upon consolidation.

Adoption of New Accounting Pronouncements

Leases

On January 1, 2022, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 842, *Leases.* Under the new guidance, the Organization recognized right-of-use ("ROU") assets and lease liabilities for leases with terms greater than 12 months. Lessees are now required to classify leases as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Organization has elected to utilize the following practical expedients:

- The Organization did not reassess whether any expired or existing contracts are or contain leases upon adoption;
- The Organization retained the classification of leases (e.g., operating or finance lease) existing as of the date of adoption;
- The Organization did not reassess initial direct costs for any existing leases upon adoption;
- The Organization utilized hindsight in determining the lease term; that is, when considering lessee options to extend or terminate the lease and to purchase the underlying asset and in assessing impairment of the Organization's ROU assets;

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement (Continued)

Leases (Continued)

- The Organization has chosen to account for each separate lease component of a contract and its associated nonlease components as a single lease component.
- The Organization has elected to exclude leases with terms less than 12 months, including any probable renewal options, from balance sheet recognition;
- For leases that the implicit borrowing rate is not known, the Organization has elected to utilize the risk-free interest rate for that asset class.

The Organization adopted FASB ASC Topic 842, *Leases* using the modified retrospective method, and accordingly, the new guidance was applied retrospectively to leases that existed as of January 1, 2022 (the date of initial application), without restating any prior year amounts or disclosures. As a result of adoption, the Organization recognized the following impact to the January 1, 2022 consolidated statement of financial position:

ROU assets - operating	$ 1,543,399
Security deposits and other assets	(47,233)
Lease liabilities - operating	(1,496,166)
Net assets	$ -

The adoption of FASB ASC Topic 842, *Leases* did not have an impact on the Organization's results of operations or cash flows.

Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The objective of this ASU is to increase transparency of contributed nonfinancial assets for not-for-profit ("NFP") entities through enhancements to presentation and disclosure. The amendments in this ASU apply to NFPs that receive contributed nonfinancial assets. Contribution revenue may be presented in the consolidated financial statements using different terms (for example, gifts, donations, grants, gifts-in-kind, donated services, or other terms). The term nonfinancial asset includes fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets. The amendments in this ASU improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments did not change the recognition and measurement requirements. The adoption of ASU No. 2020-07 effective January 1, 2022, applied on a retrospective basis, did not have a material effect on the Organization's consolidated financial statements.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions, that are available for use in general operations. This also includes Board-designated net assets for specific purposes since the Board of Directors may reverse these designations at any time in the future.

Net assets with donor restrictions – Net assets that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all, or part of the income earned on related investments for general or specified purposes. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Organization reports gifts of property and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition

Revenue is recognized as the Organization satisfies performance obligations under its contract, in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. The amount and timing of revenue recognition varies based on the nature of the goods provided and the terms and conditions of the contract. Revenues are recorded net of any sales taxes charged.

Performance obligations are determined based on the nature of the goods or services provided by the Organization in accordance with the contract. Revenue for performance obligations satisfied over time is recognized ratably over the period based on time elapsed. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Revenue for performance obligations satisfied at a point in time is generally recognized when goods or services are provided to customers at a single point in time and the Organization does not believe it is required to provide additional goods or services related to that sale. The Organization determines the transaction price based on standard charges for goods and services provided. The Organization's revenue streams do not have significant financing components or contract costs.

The Organization has revenue streams that are accounted for as exchange transactions. Because the Organization's performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606-10-50- 14(a), *Revenue from Contracts with Customers*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Contributions and grants – revenue is recognized in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt. Contributions and grants are considered to be available for unrestricted purposes unless restricted by the donor or grantor for specific purposes.

Fees for services and contract revenue – revenue is recognized when performance obligations are satisfied and when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the accompanying consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and all highly liquid investments purchased with an initial maturity of three months or less, excluding cash and cash equivalents in the investment portfolio. The Organization maintains its cash balances in a financial institution located in Texas, which at times may exceed federally insured limits. The Organization has not incurred any losses in these accounts and does not believe that they are exposed to any significant credit risk on cash and cash equivalents.

Certificates of Deposit

The Organization's investments in certificates of deposit, with original maturities greater than three months, are carried at amortized cost. These investments do not qualify as securities as defined in FASB ASC 320, *Investments—Debt and Equity Securities*, thus fair value disclosures required by ASC 820, *Fair Value Measurements and Disclosures*, are not provided.

Accounts, Contracts and Grants Receivables

Accounts receivable – program consists of contractual amounts owed by clients for services rendered. Contracts and grants receivable consist of contractual amounts owed by foundations and grant agencies for services rendered and contract revenues. Receivables due in the normal course of business, of which the Organization has an unconditional right to receive, are carried at the original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Receivables are ordinarily due upon receipt of the invoice. The Organization considers receivables to be fully collectible based on its assessment of the current status of individual accounts and current economic conditions; accordingly, no allowance for doubtful accounts is required. If receivables are determined to be delinquent or become uncollectible, they will be charged to operations at that time. In the event of complete nonperformance, the maximum exposure to the Organization is the outstanding receivable balance at the date of nonperformance. Receivables are expected to be collected within one year.

Investments

All investments are presented at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Investment transactions are recorded on the trade date.

Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of the disposition or market values as of the end of the consolidated financial statement period.

Investment earnings or loss (including realized and unrealized gains and losses on investments and interest and dividends, less management fees) is included in the determination of the change in net assets and is reported in the accompanying consolidated statements of activities and changes in net assets. Interest income is recognized on the accrual basis and dividends are recognized on the ex-dividend date.

Investments are exposed to various risks, such as interest rate, credit, active management, and overall market volatility risks. Market risks include global events, which could impact the value of investments, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statements of financial position.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Under GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The Organization reports its fair value measurements using the framework for measuring fair value established by GAAP. 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 under GAAP are described below:

Level 1 Inputs - Quoted prices (unadjusted) in active markets for identical assets and liabilities. Valuations of these instruments do not require a high degree of judgment since the valuations are based on readily available quoted prices in active markets.

Level 2 Inputs - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions.

Level 3 Inputs - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement. The Organization's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. For the years ended December 31, 2022 and 2021 there were no transfers among levels 1, 2 or 3.

Property and Equipment

Property and equipment are carried at cost as of the date of acquisition or fair value as of the date of donation, less accumulated depreciation. All purchases in excess of $5,000 and having a useful life of more than one year are capitalized. Assets are depreciated over their estimated useful lives, which range from five to thirty years, using the straight-line method. The costs of assets sold or retired, and the related amounts of accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in the period of their retirement. Repair and maintenance costs are charged to expense when incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Vacation

The Organization permits eligible employees to accumulate earned but unused vacation pay benefits, and up to 40 hours can be carried over from year-to-year. Accrued vacation is the value of the total hours carried over for all employees at December 31, 2022 and 2021. Upon resignation, an employee may receive pay for any unused accrued vacation. Unused sick leave may not be accumulated, and, therefore, no liability is reported for sick leave. Liabilities for accrued vacation are accrued or recognized to the extent liabilities have matured (i.e., are due for payment). At December 31, 2022 and 2021 the accrued vacation liability was $630,142 and $720,931, respectively.

Deferred Revenue

Deferred revenue (a contract liability) consists of revenue received in advance of when it is earned. Deferred revenue is recognized when earned, which is when the Organization has met the underlying obligations.

Functional Allocation of Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated statement of activities and changes in net assets. The consolidated statement of functional expenses reports the natural classification detail of expenses by function. Specific expenses that are readily identifiable to a program or supporting services are charged directly to that function. However, many expenses relate to more than one function. Accordingly, certain costs have been allocated among the program and supporting services benefited. Personnel costs have been allocated based on time and effort estimates made by the Organization. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

In-kind Contributions

Contributed goods are recognized as contributions at their fair value at the date of donation. Contributed services are recognized in the accompanying consolidated financial statements if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Any services that meet the criteria for recognition under GAAP are recorded in the accompanying consolidated statement of activities and changes in net assets at the estimated fair value of the services received.

In addition, numerous volunteers contributed significant time and effort to the Organization's volunteer program during the years ended December 31, 2022 and 2021. However, no amounts have been reflected in the accompanying consolidated financial statements since the fair value of these services is not readily determinable, and these services do not meet the criteria for revenue recognition under GAAP.

Advertising Expense

The Organization expenses advertising costs as incurred. The Organization incurred advertising costs of $89,309 and $46,313 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

RAICES and RAICES Action Fund are exempt from federal income tax under Section 501(c)(3) and Section 501(c)(4), respectively, of the Internal Revenue Code (the "Code'), except to the extent they have unrelated business income. In addition, they have been determined by the Internal Revenue Service not to be private foundations within the meaning of Section 509(a) of the Code. For the years ended December 31, 2022 and 2021, the Organization had no net unrelated business income. Accordingly, no provision for income tax has been provided in the accompanying consolidated financial statements. The Organization is exempt from Texas state franchise tax according to the Texas Comptroller of Public Accounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

GAAP requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns to determine whether the tax positions are more likely than not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more likely than not threshold would be recorded as a tax benefit or expense in the current year. A reconciliation is not provided herein, as the beginning and ending amounts of unrecognized benefits are zero, with no interim additions, reductions, or settlements. The Organization is relying on its tax-exempt status and its adherence to all applicable laws and regulations to preserve that status. However, the conclusions regarding accounting for uncertainty in income taxes will be subject to review and may be adjusted at a later date based on factors including, but not limited to, ongoing analysis of tax laws, regulations, and interpretations thereof.

The Organization recognizes interest and penalties, if any, related to uncertain tax positions as income tax expense. The Organization's informational returns are generally subject to examination for three years after the later of the due date or date of filing.

Recent Accounting Pronouncement

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU affect entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-statement-of-financial-position credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU affect an entity to varying degrees depending on the credit quality of the assets held by the entity, their duration, and how the entity applies current U.S. GAAP. The amendments in this ASU require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The consolidated statement of activities and changes in net assets will reflect the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses during the period. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. An entity must use judgment in determining the relevant information and estimation methods that are appropriate in its circumstances. The allowance for credit losses and related credit loss expense will replace the previously used allowance for doubtful accounts and related bad debt expense, respectively, as it relates to trade receivables.

Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for ASU No. 2016-13, which has been codified as Topic 326. In November 2019, the FASB issued ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which deferred the effective date of Topic 326, as amended, by one year. The amendments in this ASU are now effective for private companies for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. All entities may adopt the amendments in this ASU earlier as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. An entity will apply the amendments in this ASU through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach).

The Organization is currently assessing the impact this recent accounting pronouncement will have on its consolidated financial statements.

2. INVESTMENTS

The following is a summary of the carrying amounts and estimated fair values by level, within the fair value hierarchy, of the Organization's investments measured at fair value at December 31, 2022:

Description	Carrying Value	Measured at Fair Value	Quoted Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash equivalents	$ 115,487	$ 115,487	$ 115,487	$ -	$ -
Fixed-income mutual funds	7,202,168	7,202,168	7,202,168	-	-
Equity mutual funds	15,144,863	15,144,863	15,144,863	-	-
	$ 22,462,518	$ 22,462,518	$ 22,462,518	$ -	$ -

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the valuation methodologies used at December 31, 2022.

Cash equivalents: Reflected in the accompanying consolidated financial statements at amounts which approximate fair value, primarily because of the relatively short-term maturity of those instruments.

Mutual funds: Valued at the published market price, which represents the net asset value of shares held by the Organization at year-end.

Investment earnings (loss) consist of the following for the year ended December 31, 2022:

Dividend and interest income	$ 334,709
Net realized losses on investments	(109,854)
Net unrealized losses on investments	(2,236,048)
	$ (2,011,193)

Market conditions have resulted in an unusually high degree of volatility and increased the risks and may affect the short term liquidity associated with certain investments held by the Organization which could impact the value of investments after the date of these consolidated financial statements. Because the values of individual investments fluctuate with market conditions, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined.

3. LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, are as follows:

2022	
Financial assets:	
Cash and cash equivalents	$ 13,765,931
Certificates of deposit	503,123
Contracts and grants receivables	4,735,099
Accounts receivable – program, net	1,301,100
Investments	22,462,518
Total financial assets at year-end	42,767,771
Less those unavailable for general expenditures within one year:	
Net assets with donor restrictions	(759,616)
Financial assets available for general expenditures within one year	$ 42,008,155

3. LIQUIDITY (Continued)

2021	
Financial assets:	
Cash and cash equivalents	$ 44,004,243
Certificates of deposit	503,057
Contracts and grants receivables	2,555,800
Accounts receivable – program, net	2,140,870
Total financial assets at year-end	49,203,970
Less those unavailable for general expenditures within one year:	
Net assets with donor restrictions	(493,874)
Financial assets available for general expenditures within one year	$ 48,710,096

The Organization regularly monitors liquidity required to meet its operating needs and contractual commitments. As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has a goal to meet cash needs through grant and contribution income, contract revenue, program fees, and managing, monitoring, and meeting budget expectations.

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization anticipates collecting sufficient revenue and support to cover general expenditures not covered by donor-restricted resources.

4. CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable consist of the following at December 31:

	2022	2021
Vera Institute of Justice	$ 4,049,799	$ 1,987,054
U.S. Committee for Refugees and Immigrants	149,103	516,900
ACACIA	93,822	-
Harris County	83,292	-
Texas Office for Refugees West	359,083	-
Refugee Services of Texas	-	51,846
	$ 4,735,099	$ 2,555,800

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	Estimated Useful Lives	2022	2021
Building and improvements	31 - 39 years	$ 176,727	$ 180,691
Leasehold improvements	1 year	38,563	38,563
Furniture and equipment	5 - 7 years	99,810	96,692
		315,100	315,946
Less: accumulated depreciation		(180,560)	(167,973)
		134,540	147,973
Land		10,000	10,000
Property and equipment, net		$ 144,540	$ 157,973

Depreciation expense for the years ended December 31, 2022 and 2021 was $12,588 and $12,588, respectively.

6. PAYCHECK PROTECTION PROGRAM – LOAN PAYABLE

The Organization qualified for and received a loan pursuant to the Paycheck Protection Program ("PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), from a qualified lender, on April 17, 2020, for an aggregate principal amount of $3,973,384 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, is unsecured and has an initial maturity date of April 17, 2022 and is unsecured and guaranteed by the SBA.

The principal amount of the PPP Loan is subject to forgiveness to the extent that the PPP loan proceeds are used to pay expenses permitted, including payroll costs, covered rent and interest on mortgage obligations, and covered utility payments incurred by the Organization. The Organization used the proceeds for purposes consistent with the PPP. The Organization applied for and received notification of forgiveness from the lender in the amount of $3,091,339 of principal and $65,861 of interest, on June 16, 2022. In accordance with FASB ASC Topic 470, *Debt*, the amount of the loan forgiveness is reported as a gain on extinguishment of debt in the consolidated statement of activities and changes in net assets for the year ended December 31, 2022. The remaining balance was converted to a term note with monthly installments of $15,4745 and a maturity date of April 17, 2025.

Forgiveness applications for loans under $2 million are reviewed and approved by the lender that is servicing the loan. The SBA may undertake a review of a loan of any size during the six-year period following forgiveness or repayment of the loan, however loans in excess of $2 million are subject to additional review and approval by the SBA. The reviews may include the loan forgiveness application, as well as whether the Organization met the eligibility requirement of the program and received the proper PPP Loan amount, and as a result of such reviews, adjustments could be required to the recognition of other income.

Future minimum principal payments on the loan payable are estimated to be as follows for the years ended December 31:

	2022
2023	$ 168,000
2024	185,052
2025	24,064
	$ 377,116

7. RESTATEMENT

During the fiscal year ended December 31, 2022, the Organization performed an analysis on net assets with donor restrictions. The Organization identified and reclassified $1,420,176 from net assets with donor restrictions to net assets without donor restrictions. This reclassification included donor restrictions being released because the prior period classification of certain contributions received included purpose restrictions, however the purpose restrictions were in line with the overall mission of the Organization and therefore should have been classified as contributions without donor restrictions. This reclassification had no effect on total net assets at December 31, 2022 and 2021. However, the effect of the reclassification on net assets without donor restrictions was an increase of $1,420,176 at January 1, 2021 with a corresponding decrease in net assets with donor restrictions.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or time at December 31:

	2022	2021
Subject to the passage of time	$ 325,000	$ -
Subject to expenditure for specified purpose:		
Legal representation of children and adults	414,275	493,874
Catena Foundation grant	20,341	-
	434,616	493,874
Total net assets with donor restrictions	$ 759,616	$ 493,874

9. NET ASSETS RELEASED FROM RESTRICTIONS

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes, by the passage of time, or by the occurrence of events specified by the donors were as follows for the years ended December 31:

	2022	2021
Legal representation of children and adults	$ 829,599	$ 1,665,734
Catena Foundation grant	179,659	-
Total net assets released from restrictions	$ 1,009,258	$ 1,665,734

10. EMPLOYEE BENEFIT PLAN

The Organization established a 403(b) plan in 2020 and maintains a defined contribution retirement plan provided for employees upon the date employment begins. The Organization makes a safe harbor matching contribution of 100% of salary deferrals up to the first 3% of compensation plus 50% of salary deferrals up to the next 2% of compensation. The Organization contributed matching funds of $621,635 and $646,631 to the plan for the years ended December 31, 2022, and 2021, respectively.

11. LEASES

The Organization recognizes ROU assets and lease liabilities for leases with terms greater than 12 months or leases that contain a purchase option that is reasonably certain to be exercised. Leases are classified as either finance or operating leases. This classification dictates whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease.

The Organization's ROU assets and lease liabilities primarily relate to multiple lease agreements for offices located in Austin, Dallas/Fort Worth, Houston, and San Antonio, Texas, and Los Angeles, California. These lease agreements do not include options to renew the lease or purchase the leased property. None of the Organization's lease agreements contain material residual value guarantees or material restrictions or covenants.

Long-term leases (leases with terms greater than 12 months) are recorded as liabilities at the present value of the minimum lease payments not yet paid. The Organization uses the risk free rate to determine the present value of the lease when the rate implicit in the lease is not readily determinable. The leases do not contain nonlease components. However, to the extent future lease agreements contain nonlease components, the Organization will recognize both the lease component and nonlease components as a single lease component for all of its ROU assets. From time to time, certain service or purchase contracts may contain an embedded lease.

Short-term leases (leases with an initial term of 12 months or less or leases that are cancelable by the lessee and lessor without significant penalties) are not capitalized but are expensed on a straight-line basis over the lease term. The Organization did not have any material short-term leases for the year ended December 31, 2022.

Components of lease costs consist of the following for the year ended December 31, 2022:

Operating lease cost	$ 780,776

The Organization's ROU assets and lease liabilities consisted of the following at December 31, 2022:

ROU assets - operating leases	$ 1,943,937
Accumulated amortization	(764,726)
Net ROU assets - operating leases	$ 1,179,211
Lease liabilities - operating leases - current	$ 687,357
Lease liabilities - operating leases - net of current portion	475,011
Total lease liabilities - operating leases	$ 1,162,368

11. LEASES (Continued)

The remaining lease payments under the Organization's operating leases consist of the following for the years ended December 31:

2023	$ 695,989
2024	358,292
2025	120,167
Total future undiscounted lease payments	1,174,448
Less: interest	(12,080)
Present value of lease liabilities	$ 1,162,368

Total rent expense was $1,053,827 and $999,683 for the years ended December 31, 2022 and 2021, respectively.

Supplemental information related to the Organization's leases for the year ended December 31, 2022 is as follows:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 734,041
Weighted - average remaining lease term (years) - operating leases	1.9
Weighted - average discounted rate - operating leases	1.08%

12. COMMITMENTS CONCENTRATIONS AND CONTINGENCIES

Concentrations of Risk

Approximately 86% and 78% of contracts and grants receivable is from one grantor at December 31, 2022 and 2021, respectively.

Approximately 25% of accounts receivable is from one donor at December 31, 2022.

Approximately 45% and 42% of contracts revenue is from one grantor for the years ended December 31, 2022 and 2021, respectively.

Litigation

The Organization is subject to legal proceedings and claims that have arisen in the normal course of business. In the opinion of management, the outcome of these actions will not have a material adverse effect on the financial position or activities of the Organization. There were no significant proceedings known at December 31, 2022 and 2021.

Grant Agreements

Grants require the fulfillment of certain conditions set forth in grant agreements and are subject to periodic review and assessment by the grantors. Failure to satisfy the requirements of the grant agreements could result in disallowed costs and return of funds to grantors. Management believes the Organization is in substantial compliance with the grant provisions and requirements and that disallowed costs, if any, will not have a material effect on the amounts and disclosures in the consolidated financial statements.

13. CONTRIBUTED NONFINANCIAL ASSETS

Contributed nonfinancial assets for the Organization's programs and supporting services, reported as in-kind contributions in the accompanying consolidated statements of activities and changes in net assets are as follows for the years ended December 31:

	2022	2021
Professional services	$ 76,639	$ 111,905

13. CONTRIBUTED NONFINANCIAL ASSETS (Continued)

The Organization used these nonfinancial asset contributions in program and supporting activities during years ended December 31, 2022 and 2021. Donated services were valued using estimated market prices of identical or similar services if purchased.

14. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 19, 2024, the date the consolidated financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

LGT
LANE GORMAN TRUBITT, LLC
Accountants & Advisors

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Refugee and Immigrant Center for Education and Legal Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Refugee and Immigrant Center for Education and Legal Services (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lane Gorman Trubitt, LLC

Dallas, Texas
March 19, 2024

LANE GORMAN TRUBITT, LLC
Accountants & Advisors

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Refugee and Immigrant Center for Education and Legal Services

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Refugee and Immigrant Center for Education and Legal Services' (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the United States *Office of Management and Budget* ("OMB") *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements related to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

Auditor's Responsibilities for the Audit of Compliance (Continued)

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matters.

Government Auditing Standards requires the auditor to perform limited procedures on, Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designated to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questions costs as Finding 2022-001 to be a material weakness.

Our audit was not designated for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lane Gorman Trubitt, LLC

Dallas, Texas
March 19, 2024

Refugee and Immigrant Center for Education and Legal Services
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Health and Human Services			
Office of Refugee Resettlement:			
Passed Through Texas Office for Refugees West			
Refugee Cash and Medical Assistance Program	93.566	860947787	$ 1,409,366
Refugee Support Services Program	93.566	860947787	22,879
Passed Through U.S. Committee for Refugee and Immigrants			
Refugee Support Services - Afghan Refugee Health Promotion	93.566	81011077	8,904
Matching Grant Program	93.567	81011077	570,637
Preferred Communities Program - Afghan Supplemental Allocation	93.576	81011077	45,456
Preferred Communities Program	93.576	81011077	29,149
Preferred Communities Program - Ukrainian Supplemental Allocation	93.576	81011077	212
Preferred Communities Program - Afghan Supplemental Allocation II - Housing	93.576	81011077	3,283
Total expended from United States Department of Health and Human Services			2,089,886
United States Department of State			
Passed Through U.S. Committee for Refugee and Immigrants			
Capacity Development	19.510	81011077	32,055
Reception and Placement Program	19.510	81011077	538,932
Afghan Placement and Assistance Program	19.510	81011077	440,068
U.S. Refugee Admissions Program - APA Housing & Technology	19.510	81011077	12,318
U.S. Refugee Admissions Program - R&P Housing & Technology	19.510	81011077	2,886
Preferred Communities Program - Supplemental Funding	19.510	81011077	205,268
Preferred Communities Program	19.510	81011077	101,890
Total expended from United States Department of State			1,333,417
Total expenditures of federal awards			$ 3,423,303

See accompanying notes to the schedule of expenditures of federal awards.

NATURE OF BUSINESS

Refugee and Immigrant Center for Education and Legal Services ("RAICES" or the "Organization"), is a Texas not-for-profit corporation that models a welcoming nation by fighting for the freedoms of immigrant, refugee, and asylum-seeking families. RAICES receives federal grants to provide free and low-cost immigration legal services and education to unaccompanied immigrant children, families, and refugees.

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2022.

All federal expenditures of the Organization are included in the scope of this U.S. Office of Management and Budget ("OMB") Single Audit Report. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated statement of financial position and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows of the Organization.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Schedule is prepared on the accrual basis of accounting. As the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not present the financial position, changes in net assets, or cash flows of the Organization.

For the purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between the Organization and agencies and departments of the federal government pursuant to federal grants, contracts, and similar agreements. Complete Assistance Listing numbers are provided on the Schedule when available.

Indirect Costs

Expenditures included in the Schedule represent both direct and indirect costs. The Organization has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Expenditures and Revenue Recognition

The Schedule presents expenditures of individual programs on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement and, accordingly, are not reflected as expenditures in the Schedule. All program outlays, including accrued expenditures and capital outlays, are reported as expenditures. Related revenues (which are not presented herein) are recognized up to award amounts for financial statement and program reporting. Award reporting periods do not necessarily coincide with the fiscal reporting period of the Organization. Negative amounts, if any, presented in the Schedule represent adjustments or credits made, in the normal course of business, to expenditures reported in prior years.

The Organization did not have any federal loan programs during the year ended December 31, 2022.

3. CONTINGENCIES

Grants require the fulfillment of certain conditions set forth in grant agreements and are subject to periodic review and assessment by the grantors. Failure to satisfy the requirements of the grant agreements could result in disallowed costs and return of funds to grantors. Management believes the Organization is in substantial compliance with the grant provisions and requirements and that disallowed costs, if any, will not have a material effect on the amounts and disclosures in the consolidated financial statements.

I. Summary of Auditor's Results

Financial Statements

The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

Noncompliance considered material to the financial statements was disclosed by the audit?

☐ Yes ☒ No

Federal Awards

The independent auditor's report on internal control over the major federal award program disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☒ Yes	☐ No

The type of report the auditor issued on compliance for the major federal award programs was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

The audit disclosed findings required to be reported by 2 CFR 200.516(a)?

☒ Yes ☐ No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number
Refugee Cash and Medical Assistance Program	93.566

The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

Auditee qualified as a low-risk auditee?

☐ Yes ☒ No

II. Financial Statement Findings

No reportable matters.

III. Federal Award Findings and Questioned Costs

Finding 2022-001 Late Filing of Required Reporting of Federal Awards

Criteria and Condition: A nonfederal entity that expends $750,000 or more during the nonfederal entity's fiscal year in federal awards must have a single or program specific audit conducted that year in accordance with Uniform Guidance. The federal single audit, the data collection form, and the reporting package (as defined in Uniform Guidance) must be completed and submitted within 30 days after the receipt of the auditors' report or nine months after year end, whichever comes earlier. The reporting package includes a copy of the Organization's audited financial statements and the federal single audit report. The due date for the Organization was September 30, 2023.

Cause: The Organization's data collection form and reporting package was not submitted to the Federal Clearinghouse by the due date of September 30, 2023. The Organization experienced a complete turnover in the accounting department that resulted in the delay of the completion of the audit. The Organization switched audit firms for the fiscal year December 31, 2021 audit. The new audit firm was engaged after the September 30, 2022 filing deadline.

Effect: The Organization was not in compliance with Uniform Guidance.

Questioned Costs: There are no questioned costs as a result of this finding.

Perspective Information: The finding is related to improper reporting in line with Uniform Guidance and thus there was no sampling performed.

Recommendation: We recommend the Organization establish policies and procedures to ensure the federal single audit reporting package is submitted timely.

Repeat Finding: This is a repeat of Finding 2021-001 which was noted in the prior year audit.

Views of Responsible Officials: The Organization agrees with the finding and will adhere to the planned corrective action.

Planned Corrective Actions: We agree with the recommendation and will implement procedures to oversee the timely filing of the federal single audit reporting package.

Anticipated Completion Date: We expect this process to be ongoing to ensure the timely reporting. We expect to file timely reports for the fiscal year end December 31, 2023.

Responsible Contact Person: Anna L. Flores, Chief Financial Officer

IV. Prior Year Federal Award Findings and Questioned Costs

Finding 2021-001 Late Filing of Required Reporting of Federal Awards

Criteria and Condition: A nonfederal entity that expends $750,000 or more during the nonfederal entity's fiscal year in federal awards must have a single or program specific audit conducted that year in accordance with Uniform Guidance. The federal single audit, the data collection form, and the reporting package (as defined in Uniform Guidance) must be completed and submitted within 30 days after the receipt of the auditors' report or nine months after year end, whichever comes earlier. The reporting package includes a copy of the Organization's audited financial statements and the federal single audit report. The due date for the Organization was September 30, 2022.

Current Status: The recommendation to establish policies and procedures to ensure the federal single audit reporting package is submitted timely is currently being established and worked through by management. Management expects to file reports for the fiscal year end December 31, 2023 timely.

DATE: March 4th, 2024

FROM: Anna Flores, Chief Financial Officer

SUBJECT: Corrective Action Plan for Compliance and Control finding 2022-001 -- Refugee cash and Medical Assistance Program – Reporting

Responsible Party – Anna L. Flores, Chief Financial Officer

Corrective Action Plan:

Implement additional month-end closing procedures that will facilitate the year-end closing process. The new procedures will ensure the timeliness of each month, which will in turn ensure the year-end close will be completed promptly.

Regards,
Anna Flores, CFO