Consolidated Financial Statements and Independent Auditor's Report

Refugee and Immigrant Center for Education and Legal Services

For the year ended December 31, 2021

LANE GORMAN TRUBITT, LLC
Accountants & Advisors

2626 Howell Street, Ste 700
Dallas, Texas 75204

P: 214-871-7500
E: askus@lgt-cpa.com

www.lgt-cpa.com

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES

CONTENTS

	Page
INDEPENDENT AUDITOR’S REPORT	1 - 2
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS	4
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES	5
CONSOLIDATED STATEMENT OF CASH FLOWS	6
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	7 - 14
SUPPLEMENTAL INFORMATION	15
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	16 - 17
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	18 - 19
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	20
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	21
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	22 - 24

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 statement of financial position as of December 31, 2021, 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.

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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 opinion.

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 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 information 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 October 5, 2023, 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
October 5, 2023

Refugee and Immigrant Center for Education and Legal Services
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2021

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
Prepaid expenses		399,858
Security deposits and other assets		62,461
Property and equipments - net		157,973
TOTAL ASSETS	$	49,824,262

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	$	465,667
Bonds payable		111,000
Payroll liabilities		519,267
Accrued vacation and other liabilities		766,509
Deferred revenue		274,866
Paycheck Protection Program loan payable		3,973,384
Total liabilities		6,110,693
COMMITMENTS AND CONTINGENCIES		-
NET ASSETS		
Without donor restrictions		41,799,519
With donor restrictions		1,914,050
Total net assets		43,713,569
TOTAL LIABILITIES AND NET ASSETS	$	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, 2021

	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
NET ASSETS, end of year	$ 41,799,519	$ 1,914,050	$ 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, 2021

	Program Services	Supporting Services: Management and General	Supporting Services: 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 equipment and supplies	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 STATEMENT OF CASH FLOWS
Year ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	(4,055,744)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation		12,588
Bad debts		14,387
Interest income added to certificates of deposits		(341)
Changes in operating assets and liabilities:		
Contracts and grants receivable		(965,463)
Accounts receivable - program		(1,109,326)
Prepaid expenses		(246,823)
Security deposits and other assets		(1,446)
Accounts payable		42,775
Bank overdrafts		(489,055)
Payroll liabilities		76,551
Accrued vacation and other liabilities		375,030
Deferred revenue		274,866
Bonds payable		59,500
Net cash used in operating activities		(6,012,501)
DECREASE IN CASH AND CASH EQUIVALENTS		(6,012,501)
CASH AND CASH EQUIVALENTS, beginning of year		50,016,744
CASH AND CASH EQUIVALENTS, end of year	$	44,004,243

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.

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 the 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. The full extent to which the COVID-19 pandemic could continue to directly or indirectly impact the Organization's results of operations and financial condition, including revenues, expenses, reserves, and allowances will depend on future developments that remain uncertain at this time, particularly as virus variants continue to spread.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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.

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. 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 receivables 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. Receivable are expected to be collected within one year.

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 as of December 31, 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, 2021, accrued vacation liability was $720,931.

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 year ended December 31, 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 $46,313 for the year ended December 31, 2021.

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 year ended December 31, 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 Pronouncements

In September 2020, the FASB issued Accounting Standards Update ("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 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 will 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 will not change the recognition and measurement requirements. ASU No. 2020-07 is effective for fiscal years beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early application of the amendments is permitted. The amendments in this ASU should be applied on a retrospective basis.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP - which requires only capital leases to be recognized on the statement of financial position - the new ASU will require both types of leases to be recognized on the statement of financial position. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021 and for interim periods within fiscal years beginning after December 15, 2022. Early application of the amendments in this ASU is permitted.

The Organization is currently assessing the impact these recent accounting pronouncements will have on its financial statements.

2. 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:

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		(1,914,050)
Financial assets available for general expenditures within one year	$	47,289,920

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.

3. CONTRACTS AND GRANTS RECEIVABLE

Contracts and grants receivable at December 31, 2021 consist of the following:

Vera Institute of Justice	$	1,987,054
U.S. Committee for Refugees and Immigrants		516,900
Refugee Services of Texas		51,846
Total contracts and grants receivable	$	2,555,800

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2021:

	Estimated Useful Lives		
Building and improvements	31 - 39 years	$	180,691
Leasehold improvements	1 year		38,563
Furniture and equipment	5 - 7 years		96,692
			315,946
Less: accumulated depreciation			(167,973)
			147,973
Land			10,000
Property and equipment, net		$	157,973

Depreciation expense for the year ended December 31, 2021, was $12,588.

5. 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. 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. Subsequent to year-end, the Organization applied for and received notification of forgiveness from the lender for $3,091,339 in June 2022 (see Note 9). In accordance with FASB ASC Topic 470, *Debt*, the amount of the loan forgiveness will be 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, which is when the Organization was legally released from being the primary obligor.

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.

6. NET ASSETS WITH DONOR RESTRICTION AND RELEASES FROM RESTRICTIONS

At December 31, 2021, net assets with donor restrictions were restricted for the following purposes or time:

Legal Representation of children and adults	$ 1,914,050

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the year ended December 31, 2021:

Legal Representation of children and adults	$ 1,665,734

7. 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 $646,631 to the plan for 2021.

8. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization has entered into multiple lease agreements for offices located in Austin, Corpus Christi, Dallas/Fort Worth, Houston, Bastrop, and San Antonio, Texas, and Los Angeles, California. The future minimum lease payments are as follows for the years ending December 31:

2022	$ 518,192
2023	444,081
2024	295,265
2025	94,992
Thereafter	-
	$ 1,352,530

The Organization leases space and equipment under various short-term operating lease agreements. Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases.

8. COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

For the year ending December 31, 2021, rent expense was $999,683.

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, 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.

9. SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 5, 2023, the date the consolidated financial statements were available to be issued.

The Organization applied for PPP Loan forgiveness during 2022 and received notification on June 16, 2022 from the SBA that $3,091,339 of the $3,973,348 outstanding balance on the PPP Loan was forgiven. A portion of the remaining unforgiven principal and interest was repaid during 2022 and the remaining outstanding balance of $315,080 was converted to a term loan in January 2023. Monthly installments of principal and interest of $14,474 are due through October 2024. The note is unsecured and bears interest at 1%.

Principal maturities of the PPP Loan in future years are as follows for the years ending December 31:

2023	$ 168,000
2024	147,080
Thereafter	-
	$ 315,080

SUPPLEMENTAL INFORMATION

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, 2021, 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 October 5, 2023.

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*.

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
October 5, 2023

LGT
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, 2021. 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, 2021.

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.

Report on Internal Control Over Compliance

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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
October 5, 2023

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 Central Texas Office for Refugees			
Refugee Cash Assistance	93.566	860947787	$ 463,104
Refugee Medical Assistance	93.566	860947787	26,970
Total expended from United States Department of Health and Human Services			490,074
United States Department of State			
Passed Through U.S. Committee for Refugee and Immigrants			
U.S. Refugee Admissions Program - Reception and Placement Program	19.510	81011077	490,234
U.S. Refugee Admissions Program - Afghan Placement and Assistance Program	19.510	81011077	284,378
U.S. Refugee Admissions Program - Capacity Development	19.510	81011077	34,556
COVID 19- Preferred Communities Program	19.576	81011077	10,513
Refugee and Entrant Assistance Voluntary Agency Programs - Match Grant Program	19.567	81011077	195,336
Total expended from United States Department of State			1,015,017
Total expenditures of federal awards			$ 1,505,091

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

NATURE OF BUSINESS

Refugee and Immigrant Center for Education and Legal Services (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, 2021.

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, 2021.

2. 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
U.S. Refugee Admissions Program	19.510

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

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 and 2021.

Cause: The Organization's data collection form and reporting package was not submitted to the Federal Clearinghouse within the due dates of September 30, 2022 and 2021. The Organization experienced a complete turnover in the accounting department that resulted in the delays of the audit for the fiscal year ended December 31, 2020. The delays in the completion of the 2020 audit resulted in the Organization not meeting the September 30, 2021 filing deadline. 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.

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 for this process to be ongoing as sound procedures to follow 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

III. Federal Award Findings and Questioned Costs

No reportable matters.

IV. Prior Year Federal Award Findings and Questioned Costs

Finding 2020-001 Financial Statement Preparation

Condition: The Organization's financial statements required adjusting journal entries in the current period to properly report cash, investments, receivables, other assets, payables and accrued expenses, contributions, and bad debt expense. Additionally, the Organization restated net assets as of January 1, 2020 to properly record donated stock received in 2019.

Current Status: The recommendation to update the Organization's formal accounting policies and procedures to ensure account balances are properly recorded and reconciled in accordance with GAAP was adopted. No similar findings were noted in the 2021 audit.

IV. Prior Year Federal Award Findings and Questioned Costs (Continued)

Finding 2020-002 Noncompliance with Allowable Costs

Condition: The Organization was unable to provide sufficient payroll documentation for certain employees who were funded by the program. More specifically, certain time sheets did not show evidence of approval by a direct supervisor.

Current Status: The recommendation to implement a process to properly document approval by a direct supervisor before payroll is processed and charges are made against a federal program was adopted. No similar findings were noted in the 2021 audit.