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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Refugee and Immigrant Center for Education and Legal Services
San Antonio, Texas

We have audited the accompanying financial statements of Refugee and Immigrant Center for Education and Legal Service, Inc., which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Refugee and Immigrant Center for Education and Legal Service, Inc. as of December 31, 2017, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Armstrong, Vaughan & Associates, P.C.

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August 8, 2018

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 3,285,237
Contract and Grant Receivables	722,767
Accounts Receivable - Program	334,204
Allowance for Doubtful Accounts	(88,769)
Prepaid Expenses	22,480
Security Deposits	15,964
<i>Total Current Assets</i>	<u>4,291,883</u>

Property and Equipment:

Land	10,000
Building	180,691
Leasehold Improvements	26,563
Furniture, Fixtures and Equipment	90,310
Accumulated Depreciation	(107,379)
<i>Total Property and Equipment</i>	<u>200,185</u>

TOTAL ASSETS \$ 4,492,068

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	37,270
Payroll Liabilities	269,497
Accrued Vacation	74,937
Unearned Revenues	2,000
<i>Total Current Liabilities</i>	<u>383,704</u>

Net Assets:

<i>Unrestricted Net Assets:</i>	
Operations	3,561,732
Investment in Property and Equipment	200,185
Temporarily Restricted Net Assets	346,447
<i>Total Net Assets</i>	<u>4,108,364</u>

TOTAL LIABILITIES AND NET ASSETS \$ 4,492,068

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

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
<i>Support:</i>			
Foundation Income	\$ 4,715,554	\$ 265,000	\$ 4,980,554
Grant Income	1,205,951	-	1,205,951
Contribution Income	486,652	271,692	758,344
<i>Total Support</i>	<u>6,408,157</u>	<u>536,692</u>	<u>6,944,849</u>
<i>Revenue:</i>			
Fee For Service	755,775	-	755,775
Interest and Other Income	498	-	498
<i>Total Revenue</i>	<u>756,273</u>	<u>-</u>	<u>756,273</u>
<i>Net Assets Released From Donor Restrictions</i>	<u>584,745</u>	<u>(584,745)</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>7,749,175</u>	<u>(48,053)</u>	<u>7,701,122</u>
 EXPENSES			
<i>Program Services:</i>			
Program	6,415,230	-	6,415,230
<i>Supporting Services:</i>			
General and Administrative	300,748	-	300,748
Fundraising	53,338	-	53,338
TOTAL EXPENSES	<u>6,769,316</u>	<u>-</u>	<u>6,769,316</u>
 CHANGE IN NET ASSETS	979,859	(48,053)	931,806
 BEGINNING NET ASSETS	<u>2,782,059</u>	<u>394,500</u>	<u>3,176,559</u>
 ENDING NET ASSETS	<u>\$ 3,761,918</u>	<u>\$ 346,447</u>	<u>\$ 4,108,365</u>

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

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2017

FUNCTIONAL EXPENSES	<u>Program</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll Expenses	\$ 5,086,232	\$ 246,512	\$ 42,744	\$ 5,375,488
Advertising	10,224	544	109	10,877
Building Repairs and Improvements	296,317	15,762	3,152	315,231
Bad Debt	50,999	-	-	50,999
Bond Fees	8,692	-	-	8,692
Client Assistance	228,447	-	-	228,447
Insurance	15,601	306	193	16,100
Legal Expenses	57,555	-	-	57,555
Miscellaneous	97,434	1,910	1,207	100,551
Office Equipment and Supplies	202,448	10,769	2,153	215,370
Postage and Printing	61,548	3,274	655	65,477
Professional Fees	98,406	5,234	1,047	104,687
Staff Development and Fees	26,234	1,395	280	27,909
Telephone and Internet	79,861	4,248	850	84,959
Travel Fees	89,182	4,744	948	94,874
Depreciation	6,050	6,050	-	12,100
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,415,230</u>	<u>\$ 300,748</u>	<u>\$ 53,338</u>	<u>\$ 6,769,316</u>

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

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 931,806
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	12,100
(Increase) Decrease in Receivables, Net	55,802
(Increase) Decrease in Prepaid Expenses	27,091
(Increase) Decrease in Employee Advances	3,353
Increase (Decrease) in Accounts Payable	(202,687)
Increase (Decrease) in Payroll Liabilities	268,034
Increase (Decrease) in Accrued Vacation	40,810
Increase (Decrease) in Unearned Revenues	<u>2,000</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,138,309</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property and Equipment	<u>(49,499)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(49,499)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 1,088,810
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>2,196,428</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$ 3,285,238</u>
 SUPPLEMENTAL DISCLOSURE:	
Interest Expense Paid	\$ -

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

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. NATURE OF ACTIVITIES

The Refugee and Immigrant Center for Education and Legal Services (RAICES or Center), formerly known as Refugee Aid Project, Inc., is a not-for-profit, community resource center operated for charitable and educational purposes. The Center is committed to providing free and low-cost immigration legal services and education to understand immigrant children, families and refugees. The Center owns and operates a building located in San Antonio and rents three (3) other operational sites in the state of Texas, where staff and volunteers meet to address the legal needs facing RAICES' clients. Additionally, RAICES' staff attorneys travel to both adult and children's immigration detention centers to consult with and prepare the cases of indigent detainees who are seeking to reunite with their family or requesting protection from the United States government for the persecution, abuse or torture that they have suffered in their home countries.

2. BASIS OF PRESENTATION

The financial statements of the Center have been prepared using the accrual basis in accordance with the accounting principles generally accepted in the United States (GAAP) whereby revenues are recognized when earned and expenses are recognized when they are incurred.

Net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets that are available for use, but expendable only for those purposes specified by the donor or grantor.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center.

3. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all monies in checking, savings, money market accounts, and certificates of deposit.

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2017

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

5. PROPERTY AND EQUIPMENT

The Center established a policy for the recording of all property and equipment. All property and equipment purchases with a cost greater than \$5,000 and a useful life greater than one year is recorded at cost or estimated fair value at the date of donation.

Depreciation on the property and equipment is calculated using the straight-line method. The estimated useful lives of the assets for the purposes of depreciation are as follows:

<u>Property and Equipment</u>	<u>Useful Life (Years)</u>
Building and Improvements	31-39
Leasehold Improvements	1
Furniture, Fixtures and Equipment	5-7

6. REVENUE RECOGNITION

Income from foundations and program services are recognized in the period in which the fees are earned. Grants and contributions are recognized as revenue when a gift or pledge that is unconditional is received. The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

7. FUNCTIONAL EXPENSE ALLOCATION

The costs of providing the Center's various programs and activities have been summarized on a functional basis in the statement of activities. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of General and Administrative costs that benefit multiple functional areas (indirect costs) have been allocated across Program and Fundraising services based on an estimated proportion of benefitted costs.

8. INCOME TAX STATUS

The Center is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3).

The most significant tax positions of the Center is its assertion that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Center's tax years for 2014 through 2016 are open to examination by the Internal Revenue Service as of December 31, 2017.

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
NOTES TO FINANCIAL STATEMENTS (CONT.)
DECEMBER 31, 2017

NOTE A -- NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

4. RECEIVABLES

Receivables consist of revenues owed by clients, foundations and grant agencies for services rendered and contract revenues.

Management has set up an allowance for uncollectible client receivables in the amount of \$88,769 as of December 31, 2017.

5. PREPAID EXPENSES

Prepaid Expenses are expenses paid in advance of the actual services received. The expense will be recognized in the period for which the services were paid has elapsed.

6. SECURITY DEPOSITS

Security deposits consist of deposits for rental of office space. Upon termination of the contracts, the deposit will be returned to the Center.

7. ACCRUED VACATION

Employees of Refugee and Immigrant Center for Education and Legal Services are entitled to paid time off. At year end, employees may retain up to five days (40 hours) of personal leave from the prior calendar year. Accrued vacation is the value of the total hours carried over for all employees as of December 31, 2017.

8. SUBSEQUENT EVENTS

Subsequent events are considered through August 8, 2018, which is the date the financial statements were available to be issued.

NOTE B – UNINSURED DEPOSITS

The Center's cash and cash equivalents are held in multiple financial institutions, and cash balances of up to \$250,000 are secured by the Federal Deposit Insurance Corporation (FDIC) at each financial institution. As of December 31, 2017, the Center's bank balance was \$2,810,851 and the carrying amount was \$3,274,667. Cash balances exceeded FDIC limits as of December 31, 2017 by \$2,774,667.

Additionally, funds held in mobile payment applications are not FDIC insured. As of December 31, 2017, the Organization had \$19,968 in unsecured deposits with an online payment exchange.

NOTE C -- ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising costs for the year ended December 31, 2017 were \$10,877.

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2017

NOTE D -- PREPAID EXPENSES

Prepaid Expenses are made up of the following expenses paid in advance as of December 31, 2017:

Prepaid Rent	\$	16,705
Prepaid Insurance		<u>5,775</u>
		<u>\$ 22,480</u>

NOTE E -- CHANGES IN PROPERTY AND EQUIPMENT AND ACCUMULATED DEPRECIATION

Property and equipment at December 31, 2017, consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Building and Improvements	180,691	-	-	180,691
Leasehold Improvements	2,563	24,000	-	26,563
Furniture Fixtures and Equipment	64,811	25,499	-	90,310
Less: Accumulated Depreciation	<u>(95,279)</u>	<u>(12,100)</u>	-	<u>(107,379)</u>
Net Property and Equipment	<u>\$ 162,786</u>	<u>\$ 37,399</u>	<u>\$ -</u>	<u>\$ 200,185</u>

Land is not depreciated.

NOTE F -- TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2017, Refugee and Immigrant Center for Education and Legal Services had restricted funds for each of the following programs consisting of the following:

Coastal Bend Legal Services	\$	125,000
Medical Care		15,000
Legal Services		25,000
Housing and Supportive Services		62,172
Deferred Action for Childhood Arrivals (DACA)		119,275
Total		<u>\$ 346,447</u>

The uses of temporarily restricted funds during 2017 were as follows:

Hurricane Harvey Relief	\$	57,115
Deferred Action for Childhood Arrivals (DACA)		139,802
Karnes Detention Center Families		350,000
Housing and Supportive Services		37,828
		<u>\$ 584,745</u>

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 DECEMBER 31, 2017

NOTE G -- CONCENTRATION OF REVENUES

During 2017, the Center received 62.2% of its revenue from VERA Institute of Justice. Due to the reliance of funding from this entity in the current year, the Center's programs may be impacted severely if funding should cease or decrease significantly.

NOTE H -- EMPLOYEE BENEFITS

The Center offers all full time employees participation in a group health insurance plan of which the Center covers up to \$250 per month per employee. Insurance premiums in excess of \$250 are paid by the employee and collected through payroll withholding.

NOTE I -- OPERATING LEASE

The Center has entered into multiple rental agreements for offices located in Austin, Corpus Christi, Dallas/Fort Worth and San Antonio. The future minimum lease payments are as follows:

Years Ending December 31,	Total Space/Bldg. Fixed Rent	Total Copier Rent	Total
2018	\$ 156,987	\$ 16,753	\$ 173,740
2019	86,094	15,048	101,142
2020	25,200	4,792	29,992
2021	-	3,370	3,370
2022	-	1,239	1,239
	<u>\$ 268,281</u>	<u>\$ 36,593</u>	<u>\$ 304,874</u>

NOTE J -- SUBSEQUENT EVENTS

In July 2018, the Center received more than \$20 million from a viral fundraiser organized in its name to reunite migrant families separated at the border as a result of the federal zero tolerance policy. The Center has issued a bond check for the full amount of the funds raised to the Department of Homeland Security and has called for the administration to use the monies to enable the release of these parents who have been separated from their families.

NOTE K -- LITIGATION

The Center's management is not aware of any pending or threatened litigation that would have a material effect on the financial statements.