

**REFUGEE AND IMMIGRANT CENTER
FOR EDUCATION AND LEGAL SERVICES**

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

For the Year Ended December 31, 2020

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
San Antonio, Texas

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Refugee and Immigrant Center for Education and Legal Services (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated 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.

(Continued)

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 Services as of December 31, 2020, 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.

Other Matters

Other Information – Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 June 20, 2022, on our consideration of Refugee and Immigrant Center for Education and Legal Services' 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 Refugee and Immigrant Center for Education and Legal Services' 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 Refugee and Immigrant Center for Education and Legal Services' internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 2 to the financial statements, an error in the prior year was discovered by management of the Organization during 2020. An adjustment has been made to net assets as of January 1, 2020, to correct the error. Our opinion is not modified with respect to this matter.


Crowe LLP

The Woodlands, Texas
June 20, 2022

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 50,016,744
Certificates of deposit	502,716
Contract and grants receivables	1,590,337
Accounts receivable – program, net	1,045,931
Prepaid expenses	153,035
Security deposits and other assets	61,015
Property and equipment, net	<u>170,561</u>
Total assets	<u>\$ 53,540,339</u>

LIABILITIES AND NET ASSETS

Bank overdrafts	\$ 489,055
Accounts payable	422,892
Payroll liabilities	442,716
Accrued vacation and other liabilities	391,479
MOU liability	51,500
Paycheck Protection Program loan payable	<u>3,973,384</u>
Total liabilities	5,771,026
Net assets	
Without donor restrictions	46,085,652
With donor restrictions	<u>1,683,661</u>
Total net assets	<u>47,769,313</u>
Total liabilities and net assets	<u>\$ 53,540,339</u>

See accompanying notes to consolidated financial statements.

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
CONSOLIDATED STATEMENT OF ACTIVITIES
For the year ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue			
Foundation income	\$ 8,575,789	\$ 312,534	\$ 8,888,323
Grant income	1,188,424	-	1,188,424
Contribution income	15,595,040	733,754	16,328,794
In-kind contributions	105,888	-	105,888
Fee for services	199,645	-	199,645
Interest and other income	455,181	-	455,181
Net assets released from donor restrictions	<u>1,712,520</u>	<u>(1,712,520)</u>	<u>-</u>
Total support and revenue	27,832,487	(666,232)	27,166,255
Expenses			
Program services	27,192,913	-	27,192,913
Supporting services			
Management and general	5,831,251	-	5,831,251
Fundraising	<u>2,760,922</u>	<u>-</u>	<u>2,760,922</u>
Total expenses	<u>35,785,086</u>	<u>-</u>	<u>35,785,086</u>
Change in net assets	(7,952,599)	(666,232)	(8,618,831)
Net assets, beginning of year (as previously reported)	53,772,445	2,349,893	56,122,338
Prior period adjustments (see Note 2)	<u>265,806</u>	<u>-</u>	<u>265,806</u>
Net assets, end of year	<u>\$ 46,085,652</u>	<u>\$ 1,683,661</u>	<u>\$ 47,769,313</u>

See accompanying notes to consolidated financial statements.

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Payroll	\$ 15,736,974	\$ 4,095,526	\$ 1,989,531	\$ 21,822,031
Advertising	44,621	892	3,170	48,683
Bad debt	-	107,721	-	107,721
Bank charges	2,139	30,999	257,749	290,887
Bond fees	5,110,611	-	-	5,110,611
Client assistance	889,579	-	349	889,928
Depreciation	-	15,341	-	15,341
Donations to other organizations	77,257	-	-	77,257
Fundraising	4,560	100	187,962	192,622
Insurance	16,806	71,581	-	88,387
Legal expenses	1,041,652	-	-	1,041,652
Occupancy	959,340	275,275	3,196	1,237,811
Office equipment and supplies	615,672	116,702	4,847	737,221
Postage and printing	153,000	21,314	32,821	207,135
Professional fees	1,445,280	773,168	194,352	2,412,800
Publications and subscriptions	101,035	1,549	6,863	109,447
Recruiting	405	35,071	-	35,476
Software/database subscriptions	340,997	37,207	29,960	408,164
Staff development and fees	129,342	29,173	15,080	173,595
Telephone and internet	206,962	82,241	819	290,022
Travel – meals and lodging	83,925	4,061	16,369	104,355
Travel – transportation and mileage	230,370	9,680	17,854	257,904
Other	2,386	123,650	-	126,036
Total expenses	<u>\$ 27,192,913</u>	<u>\$ 5,831,251</u>	<u>\$ 2,760,922</u>	<u>\$ 35,785,086</u>

See accompanying notes to consolidated financial statements.

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2020

Cash flows from operating activities	
Change in net assets	\$ (8,618,831)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	15,341
Bad debt	107,721
Change in operating assets and liabilities:	
Receivables, net	(77,291)
Prepaid expenses	(78,432)
Security deposits and other assets	35,173
Bank overdrafts	489,055
Accounts payable	(331,209)
Payroll liabilities	148,534
Accrued vacation and other liabilities	205,173
MOU liability	51,500
Net cash from operating activities	<u>(8,053,266)</u>
Cash flows from investing activities	
Purchases of certificates of deposit	<u>(144,686)</u>
Net cash from investing activities	<u>(144,686)</u>
Cash flows from financing activities	
Proceeds from PPP loan	<u>3,973,384</u>
Net cash from financing activities	<u>3,973,384</u>
Net change in cash and cash equivalents	(4,224,568)
Cash and cash equivalents, beginning of year	<u>54,241,312</u>
Cash and cash equivalents, end of year	<u>\$ 50,016,744</u>

See accompanying notes to consolidated financial statements.

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Refugee and Immigrant Center for Education and Legal Services (RAICES), formerly known as Refugee Aid Project, Inc., is a not-for-profit community resource organization operated for charitable and educational purposes. RAICES is committed to providing free and low-cost immigration legal services and education to unaccompanied immigrant children, families, and refugees. RAICES owns and operates a building located in San Antonio and rents twelve other operational sites in the state of Texas, where staff and volunteers meet to address the legal needs facing RAICES's clients. Additionally, RAICES's staff attorneys travel to both adult and children's immigration detention organizations 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. RAICES seeks to aid individuals in the following areas: legal support for adults; families and unaccompanied children seeking assistance with residency or citizenship applications, asylum, or removal defense; support of immigrant crime victims; Deferred Action for Childhood Arrivals (DACA) recipient renewal and advice; immigrant accompaniment; refugee resettlement; bond and volunteer programs; education and outreach associated with RAICES programs, immigrant rights, and human rights.

RAICES Action Fund, an independent 501(c)(4) nonprofit organization, was formed in 2019 as the advocacy and political arm of RAICES. RAICES Action Fund engages in educational and electoral activity including public education campaigns, grassroots organizing, and legislative advocacy.

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

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

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

- *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations. Net assets restricted solely through actions of the Board of Directors are reported as net assets without donor restrictions.
- *Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or passage of time.

The Organization 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents: Cash and cash equivalents include all monies in checking, savings, money market accounts, and certificates of deposit with original maturities of three months or less, unless designated for investment purposes.

(Continued)

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Receivables: Contract and grant receivables consist of revenues owed by foundations and grant agencies for services rendered and contract revenues. Accounts receivable consists of revenues owed by clients for services rendered. Management has set up an allowance for uncollectible client receivables in the amount of \$175,518 at December 31, 2020.

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.

Property and Equipment: All property and equipment purchases with a cost greater than \$5,000 and a useful life greater than one year are 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>Assets</u>	<u>Estimated Useful Lives</u>
Building and improvements	31 - 39 years
Leasehold improvements	1 year
Furniture, fixtures, and equipment	5 - 7 years

Accrued Vacation: The Organization permits eligible employees to accumulate earned but unused vacation pay benefits and up to five days (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, 2020. 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, 2020, accrued vacation liability was \$282,631.

Revenue Recognition: Contributions and grants are recognized as revenue when a gift or pledge that is unconditional is received. Conditional promises to give are those with a measurable performance or other barrier and a right of return and are not recognized until the conditions on which they depend have been met. For 2020, there were no conditional promises to give.

Program fees and contract income are recorded as revenues when the 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.

In accordance with GAAP, revenue is recorded when earned rather than when received. Revenues received in advance of when they are earned are recorded as contract liability. At December 31, 2020, the Organization has not recorded a contract liability.

Donated Services and In-Kind Contributions: The Organization receives services, equipment, and material without payment or compensation. When the value of such services meets recognition criteria, it is reflected in the accompanying financial statements as revenues and expenditures in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605-15. Equipment and other noncash donations are recorded as contributions at cost or estimated fair value determined at the date of the donations.

(Continued)

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Functional Expense Allocation: The costs of providing the Organization's various programs and activities have been summarized on a functional basis in the consolidated 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 on labor-based full time equivalents studies.

Concentration of Credit Risk: Financial instruments that potentially subject the Organization to a significant concentration of credit risk consist primarily of cash and cash equivalents. At times, the Organization maintains deposits in federally insured financial institutions in excess of federally insured limits. Management monitors the credit ratings and concentration of credit risk with these financial institutions on a continuing basis to mitigate this risk.

Income Tax Status: The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The most significant tax positions of the Organization are 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 Organization's tax years for 2017 through 2019 are open to examination by the Internal Revenue Service as of December 31, 2020.

Risks and Uncertainties: During 2020, many countries around the world, including the United States of America, were impacted by the coronavirus (the "virus" or COVID-19) outbreak. While the virus is continuing to evolve, its implications could involve interruptions to supply chains, unavailability of personnel, and reductions in program service fees and contributions, affecting results of operations and cash flows. In addition, the Organization may be impacted by the broader effects of COVID-19 as a result of the negative impact the virus has had on the global economy and major financial markets. At this time, the Organization is not aware of any material risk to the financial statements and cannot quantify the extent the virus may have on the Organization's financial information.

Recent Accounting Pronouncements: In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The ASU will require most leases to be recognized on the consolidated statement of financial position as lease assets and lease liabilities and will require both quantitative and qualitative disclosures regarding key information about leasing arrangements. Lessor accounting is largely unchanged. In June 2020, the FASB issued ASU No. 2020-05, *Revenue From Contracts With Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, to defer these standards. Under the deferral for leases rules, private companies and private not-for-profit organizations can apply the standard to fiscal years beginning after December 15, 2021.

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 ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose contributed nonfinancial assets recognized within the consolidated statement of activities disaggregated by category that depicts the type of contributed nonfinancial assets and includes additional disclosure requirements for each category of contributed nonfinancial assets recognized. The ASU is effective for a not-for-profit entity for annual periods beginning after June 15, 2021. Early adoption is permitted.

The Organization is currently evaluating the impact these pronouncements will have on its consolidated financial statements and related disclosures.

(Continued)

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 December 31, 2020

NOTE 2 – PRIOR PERIOD RESTATEMENT

The Organization restated net assets at January 1, 2020, to properly record the receipt of certain unrestricted stock donation received in 2019. During 2020, the Organization discovered the donation was not recorded in the proper period resulting in understatement of stock donation of \$265,806 for 2019. The adjustment resulted in an increase in the net assets without donor restrictions of \$265,806 at January 1, 2020.

The effect of the restatement on the statement of activities for the year ended December 31, 2020 is as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Beginning net assets at January 1, 2020 (as previously reported)	\$ 53,772,445	\$ 2,349,893	\$ 56,122,338
Adjustments	<u>265,806</u>	<u>-</u>	<u>265,806</u>
Beginning net assets at January 1, 2020 (as restated)	<u>\$ 54,038,251</u>	<u>\$ 2,349,893</u>	<u>\$ 56,388,144</u>

NOTE 3 – CONTRACT AND GRANTS RECEIVABLE

Contract and grants receivable at December 31, 2020 consisted of the following:

Vera Institute of Justice	\$ 1,458,997
U.S. Committee for Refugees and Immigrants	104,172
Refugee Services of Texas	4,852
City of San Antonio – Safe Cities	<u>22,316</u>
Total contract and grants receivable	<u>\$ 1,590,337</u>

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020 consisted of the following:

Land	\$ 10,000
Building and improvements	180,691
Leasehold improvements	38,563
Furniture, fixtures, and equipment	<u>96,692</u>
	325,946
Less: accumulated depreciation	<u>(155,385)</u>
Total property and equipment, net	<u>\$ 170,561</u>

Depreciation expense for 2020 was \$15,341.

(Continued)

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 5 – PAYCHECK PROTECTION PROGRAM LOAN

On April 17, 2020, the Organization received proceeds from the Paycheck Protection Program (PPP) loan in the amount of \$3,973,384 from a financial institution (Lender) pursuant to the PPP, a program implemented by the U.S. Small Business Administration (SBA), under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP loan has an interest rate of 1%, matures on April 17, 2022, and the first payment will be on January 1, 2022, as notified by the Lender.

Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans guaranteed under the PPP. The PPP and loan forgiveness are intended to provide economic relief to small businesses, such as the Organization, that are adversely impacted under the COVID-19 Emergency Declaration issued on March 13, 2020.

Subsequent to the effective date of the Organization's PPP loan, the U.S. Treasury and SBA refined its payment deferral guidance whereas payments for PPP loans are to be deferred for at least ten months after the end of the covered period. Additionally, if the loan forgiveness application is submitted within ten months after the end of the covered period, payments will be further deferred until such loan forgiveness application is processed by the SBA.

In the event the PPP loan, or any portion thereof, is forgiven pursuant to the PPP, the amount forgiven is applied to outstanding principal, and the Organization would record a gain on extinguishment for the amount forgiven when the Organization is legally released from being the primary obligor.

There is no assurance that the PPP loan will be forgiven, in whole or in part. Under FASB ASC Topic 470, Debt, the PPP loan is reflected as a liability in the consolidated financial statements at December 31, 2020.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

At December 31, 2020, the Organization had net assets with donor restrictions as follows:

Legal Representation, Education, and Advocacy Fund (LEAF)	\$ 733,216
Families Together	459,852
Walter Foundation	150,000
St David's Foundation	100,000
RAICES Action Fund	113,343
Other	<u>127,250</u>
Total net assets with donor restrictions	<u>\$ 1,683,661</u>

NOTE 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 \$1,499,295 to the plan for 2020.

(Continued)

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 – OPERATING LEASE

The Organization has entered into multiple rental 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:

2021	\$ 530,487
2022	468,705
2023	340,572
2024	271,113
2025	<u>93,620</u>
Total	<u>\$ 1,704,497</u>

NOTE 9 – LIQUIDITY AND AVAILABILITY

The Organization has a goal to maintain financial assets on hand to meet at least three months of normal operating expenses which were approximately \$486,000 per month in 2020.

The Organization has \$51,472,067 of financial assets available to meet cash needs in the next year for general expenditures as of December 31, 2020 as shown in the table below.

Financial assets at year-end:	
Cash and cash equivalents	\$ 50,016,744
Certificates of deposit	502,716
Contract and grant receivables	1,590,337
Accounts receivable – program, net	<u>1,045,931</u>
Total financial assets at year-end	53,155,728
Less: amounts not available for general expenditures within one year	
Net assets with donor restrictions	<u>(1,683,661)</u>
Total financial assets at year-end available for general expenditure over the next 12 months	<u>\$ 51,472,067</u>

NOTE 10 – LITIGATION

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

NOTE 11 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 20, 2022, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the year ended December 31, 2020

<u>Federal Grantor/Pass Thru Grantor/Program or Cluster Title</u>	<u>Federal ALN Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
U.S. Department of Health and Human Services			
Office of Refugee Resettlement:			
Passed Through Central Texas Office for Refugees			
Refugee Medical Assistance	93.566	860947787	\$ 7,377
Refugee Cash & Medical Program		860947787	<u>328,388</u>
Total Passed Through Central Texas Office for Refugees			<u>335,765</u>
Total U.S. Department of Health and Human Services			<u>335,765</u>
U.S. Department of State			
Passed Through U.S. Committee for Refugees and Immigrants			
U.S. Refugee Admissions Program	19.510	081011077	446,666
Preferred Communities	19.510	081011077	15,427
Refugee and Entrant Assistance Voluntary Agency Programs Match Grant	93.567	081011077	<u>108,419</u>
Total Passed Through U.S. Committee for Refugees and Immigrants			<u>570,512</u>
Total U.S. Department of State			<u>570,512</u>
Total expenditures of federal awards			<u>\$ 906,277</u>

See accompanying notes to schedule of expenditures of federal awards.

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended December 31, 2020

NOTE 1 – THE ORGANIZATION

RAICES receives federal grants to provide free and low-cost immigration legal services and education to unaccompanied immigrant children, families, and refugees.

NOTE 2 – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the activity of RAICES and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the *OMB Compliance Supplement*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 3 – NONCASH AND LOANS

RAICES did not expend noncash federal awards. There were no federal awards expended in the form of insurance and there were no federal program loans or loan guarantees outstanding at year end.

NOTE 4 – INDIRECT COST

Expenditures included in the Schedule represent both direct and indirect costs. RAICES’ indirect costs are based on the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

NOTE 5 – RELATIONSHIP OF THE SCHEDULE TO FINANCIAL REPORTS SUBMITTED TO GRANT AWARDING AGENCIES

Expenditures included in the Schedule may differ from amounts reflected in the financial reports submitted to grant awarding agencies for the following reasons:

- Expenses accrued at the end of RAICES’ fiscal year may not be included in the financial reports submitted to grant awarding agencies until after year-end;
- Program matching costs that are reported in the financial reports submitted to awarding agencies are not included in the amounts reported in the Schedule; and
- Differences may exist between grant periods and RAICES’ accounting period.

NOTE 6 – CONTINGENCIES

Grants require the fulfillment of certain conditions set forth in grant agreements and are regularly monitored and reviewed by the grantors. Failure to satisfy the requirement of contract agreements could result in disallowed costs and return of funds to grantors. Management believes that RAICES is in substantial compliance with grant provisions and requirements and that disallowed costs, if any, will not be significant to affect the amounts and disclosures in the financial statements.

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 of
Refugee and Immigrant Center for Education and Legal Services
San Antonio, Texas

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 financial statements of Refugee and Immigrant Center for Education and Legal Services (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the entity's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2020-001 that we consider to be a material weakness.

(Continued)

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Refugee and Immigrant Center for Education and Legal Services' 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 determination of financial statement amounts. 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*.

The Organization's Response to Finding

The Organization's response to the finding identified in our engagement is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

The Woodlands, Texas
June 20, 2022

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 of
Refugee and Immigrant Center for Education and Legal Services
San Antonio, Texas

Report on Compliance for Each Major Federal Program

We have audited Refugee and Immigrant Center for Education and Legal Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Refugee and Immigrant Center for Education and Legal Services' major federal programs for the year ended December 31, 2020. Refugee and Immigrant Center for Education and Legal Services' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Refugee and Immigrant Center for Education and Legal Services' major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Refugee and Immigrant Center for Education and Legal Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Refugee and Immigrant Center for Education and Legal Services' compliance.

(Continued)

Opinion on Each Major Federal Program

In our opinion, Refugee and Immigrant Center for Education and Legal Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

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 items 2020-002. Our opinion on each major federal program is not modified with respect to these matters.

Refugee and Immigrant Center for Education and Legal Services' response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Refugee and Immigrant Center for Education and Legal Services' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Refugee and Immigrant Center for Education and Legal Services' is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Refugee and Immigrant Center for Education and Legal Services' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Refugee and Immigrant Center for Education and Legal Services' 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-002, that we consider to be a material weakness.

Refugee and Immigrant Center for Education and Legal Services' response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Refugee and Immigrant Center for Education and Legal Services' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

(Continued)

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.

Crowe LLP
Crowe LLP

The Woodlands, Texas
June 20, 2022

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
 SCHEDULE OF FINDINGS AND QUESTION COSTS
 For the year ended December 31, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal awards

Internal control over major programs:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)?	Yes

Major Programs:

<u>Award Type</u>	<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
Federal	19.510	U.S. Refugee Admissions Program

Dollar threshold used to distinguish between Type A and Type B programs:

Federal awards	\$ 750,000
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Auditee qualified as low-risk auditee?	No
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(Continued)

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
SCHEDULE OF FINDINGS AND QUESTION COSTS
For the year ended December 31, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-001 Financial Statement Preparation

Criteria – Management is responsible for establishing and maintaining an effective system of internal control over financial reporting in order to prepare financial statements in accordance with generally accepted accounting principles (GAAP), and in accordance with provisions of contracts and grant agreements.

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.

Context – Journal entries were required to agree balances to detail and to properly value receivables based on subsequent collections. A prior period adjustment was also required to properly record donated stock received in 2019.

Effect – Adjusting entries were proposed and recorded impacting both the current year financial statements and also a prior period adjustment.

Cause – The Organization experienced significant turnover in the accounting department which caused some of the year-end processes related to account reconciliations to not be performed. The Organization's policies and procedures in effect did not identify the necessary adjustments required to present the financial statements in accordance with GAAP.

Recommendation – The Organization should update their formal accounting policies and procedures to ensure account balances are properly recorded and reconciled in accordance with GAAP.

Views of Responsible Officials and Planned Corrective Action – Management agrees with the finding. See corrective action plan.

(Continued)

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
SCHEDULE OF FINDINGS AND QUESTION COSTS
For the year ended December 31, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-002 Noncompliance with Allowable Costs

U.S. Department of Health and Human Services
Passed Through U.S. Committee for Refugee and Immigrants
CFDA No. 19.510 - U.S. Refugee Admissions Program
Contract No. SPRMCO19CA0018
 SPRMCO21CA3006
Grant Period 01/01/2019 - 09/30/2020
 10/01/2020 - 09/30/2021

Criteria – Internal controls should be in place in accordance with Federal award guidelines that provide reasonable assurance that employees who work, in whole or in part, on a federal program or cost objective are added to the payroll only after proper management approval.

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

Cause – The Organization experienced turnover and did not have effective policies and procedures in place to ensure supervisory approval on pay rates. As a result, the pay rates for certain employees that were charged against the federal program were not evidenced as being properly approved.

Effect – The Organization is not in compliance with federal requirements of costs charged to the federal program. The costs may be disallowed.

Questioned Costs – Due to insufficient payroll documentation for certain individuals selected in our testing, certain salary/wages, and related taxes and benefits are considered known questioned costs in the amount of \$54,795.50. We question costs when we find the Organization has not complied with grant regulations or when it does not have adequate documentation to support its expenditures. We must report known questioned costs when likely questioned costs are greater than \$25,000 for a type of compliance requirement for a major program.

Context – We tested 60 transactions charged against the federal program. The test found that none of the employees had sufficient payroll documentation. Our sample was a statistically valid sample.

Recommendation – The Organization should implement a process to properly document approval by a direct supervisor before payroll is processed and charges are made against the federal program. The Organization should consult with the grantor to discuss whether the questioned costs identified in the audit should be repaid.

Views of Responsible Officials and Planned Corrective Action – Management agrees with the finding. See corrective action plan.

REFUGEE AND IMMIGRANT CENTER FOR EDUCATION AND LEGAL SERVICES
CORRECTIVE ACTION PLAN
For the year ended December 31, 2020



RAICES

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2020-001	<i>RAICES will update their formal accounting policies and procedures to ensure account balances are properly recorded and reconciled in accordance with GAAP. Appropriate explanations must be submitted for actions taken.</i>	December 2022	Irlanda Cassidy, Controller (210) 625-6355 Irlanda.cassidy@raicestexas.org
2020-002	<i>RAICES will implement process to properly document approval by a director supervisor before payroll is processed and charges are made against the federal program.</i>	November 2021	Irlanda Cassidy, Controller (210) 625-6355 Irlanda.cassidy@raicestexas.org