

Florence Immigrant and Refugee Rights Project, Inc.

Financial Statements and
Independent Auditor's Report

December 31, 2012

Florence Immigrant and Refugee Rights Project, Inc.
December 31, 2012

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STEPHEN F. WARD, CPA, P.C.
Certified Public Accountants

8787 E. PINNACLE PEAK RD. STE. 209
SCOTTSDALE, ARIZONA 85255
TEL (480) 563-3136
FAX (480) 563-3156

Member of the American Institute of
Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Florence Immigrant and Refugee Rights Project, Inc.

We have audited the accompanying statement of financial position of Florence Immigrant and Refugee Rights Project, Inc. (a nonprofit organization) as of December 31, 2012, 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 Florence Immigrant and Refugee Rights Project, Inc. as of December 31, 2012, 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.

Stephen F. Ward, CPA, P.C.

Scottsdale, Arizona
May 13, 2013

Florence Immigrant and Refugee Rights Project, Inc.
Statement of Financial Position
December 31, 2012

Assets	
Current assets:	
Cash in bank	\$ 243,593
Grants and contracts receivable	128,653
Prepaid expenses	12,092
Total current assets	384,338
Property and equipment:	
Land	42,500
Building, furniture and equipment	468,065
Less: accumulated depreciation	(117,707)
Total property and equipment	392,858
Security deposits	1,680
Total assets	\$ 778,876
Liabilities and Net Assets	
Current liabilities:	
Accounts payable	\$ 585
Compensated absences	32,761
Note payable - current	24,740
Total current liabilities	58,086
Note payable, less current portion	51,322
Total liabilities	109,408
Net assets:	
Unrestricted	669,468
Total liabilities and net assets	\$ 778,876

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

Florence Immigrant and Refugee Rights Project, Inc.
Statement of Activities
For the Year Ended December 31, 2012

UNRESTRICTED NET ASSETS	
Unrestricted revenues:	
Contributions	\$ 202,808
Grants and contracts	695,651
Interest	381
Miscellaneous	<u>75,351</u>
Total unrestricted revenues	<u>974,191</u>
Expenses:	
Program services:	
Legal services	767,214
Supporting services:	
Management and general	106,526
Fundraising	<u>67,134</u>
Total expenses	<u>940,874</u>
Increase in unrestricted net assets	33,317
Net assets at beginning of year	<u>636,151</u>
Net assets at end of year	<u><u>\$ 669,468</u></u>

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

Florence Immigrant and Refugee Rights Project, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2012

	Program Services – Legal Services	Supporting Services- Management and General	Supporting Services – Fundraising	Total
Compensation and related expense:				
Compensation	\$ 527,062	\$ 56,741	\$ 41,174	\$ 624,977
Payroll taxes and benefits	109,672	11,477	6,376	127,525
 Total compensation and related expense	 636,734	 68,218	 47,550	 752,502
Facilities rent	13,829	2,766	1,844	18,439
Insurance	11,329	2,266	1,511	15,106
Operating supplies	5,424	1,085	723	7,232
Postage	7,905	1,581	1,054	10,540
Telephone	10,994	2,199	1,466	14,659
Equipment rental and maintenance	6,614	1,323	882	8,819
Client services	12,419	-	-	12,419
Vehicle and travel	9,897	1,979	1,320	13,196
Accounting fees	-	8,998	-	8,998
Office expense	10,624	2,125	1,416	14,165
Depreciation	10,013	2,003	1,335	13,351
Utilities	5,224	1,045	696	6,965
Fundraising and development	-	-	6,598	6,598
Office repair and maintenance	4,766	953	635	6,354
Interest	-	7,717	-	7,717
Training	2,106	-	-	2,106
Legal materials	10,106	-	-	10,106
Staff events	-	2,113	-	2,113
Professional dues	3,976	-	-	3,976
Outside services	4,478	-	-	4,478
Miscellaneous	776	155	104	1,035
 Total functional expenses	 <u>\$ 767,214</u>	 <u>\$ 106,526</u>	 <u>\$ 67,134</u>	 <u>\$ 940,874</u>

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

Florence Immigrant and Refugee Rights Project, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2012

Cash flows from operating activities:	
Change in net assets	\$ 33,317
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	13,351
Changes in asset and liability accounts:	
Increase in grants and contracts receivable	(19,468)
Increase in prepaid expenses	(12,092)
Increase in accounts payable	90
Decrease in compensated absences	(147)
Decrease in deferred revenue	<u>(4,858)</u>
Net cash provided by operating activities	<u>10,193</u>
Cash flows from investing activities:	
Purchase of equipment	<u>(14,641)</u>
Net cash used by investing activities	<u>(14,641)</u>
Cash flows from financing activities:	
Repayments on note payable	<u>(46,942)</u>
Net cash used by financing activities	<u>(46,942)</u>
Net decrease in cash	(51,390)
Cash at beginning of year	<u>294,983</u>
Cash at end of year	<u>\$ 243,593</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for:	
Interest	\$ 7,717

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

Florence Immigrant and Refugee Rights Project, Inc.
Notes to Financial Statements
December 31, 2012

Note 1 –Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Florence Immigrant and Refugee Rights Project, Inc. (the "Organization") is a nonprofit, community-based legal service organization that provides free legal assistance to refugees, asylum-seekers, and other legal and undocumented immigrants held in Immigration and Customs Enforcement (ICE) detention facilities in Arizona.

Basis of Presentation and Accounting

The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) and presented using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and contracts are recognized as revenue as soon as all provider imposed eligibility requirements have been met. Cash received under grants and contracts for which the provider imposed requirements have not yet been met are recorded as deferred revenues.

As required by FASB Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2012 there were no temporarily restricted or permanently restricted net assets.

As required by the FASB Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support in the accompanying statement of activities. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization did not have any temporarily or permanently restricted net assets at December 31, 2012. Contributions of unrestricted assets with an economic life in excess of one year are recorded as increases in support and unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash and all highly liquid investments (including restricted assets) available for current use with an initial maturity of three months or less to be cash equivalents.

Florence Immigrant and Refugee Rights Project, Inc.
Notes to Financial Statements
December 31, 2012

Note 1 –Nature of Activities and Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

The carrying amount of cash, grants and contracts receivable, and accounts payable approximates fair value due to the short – term nature of these instruments.

Grants and Contracts Receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable.

Property and Equipment

Property and equipment are recorded at cost, or if donated, at the estimated fair market value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets which range from five to forty years. In general, acquisition of property and equipment in excess of \$500 is capitalized.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event, outside the control of the Organization and its employees, is accrued as employees earn the rights to the benefits.

Federal and State Income Taxes

The Organization is exempt from federal and state income taxation under Section 501(c)(3) of the Internal Revenue Code and under Title 43 of the Arizona Revised Statutes, as amended. Accordingly, no provision for income taxes has been made in the financial statements.

Functional Allocation of Expenses

Expenses are allocated between program services, supporting services and fundraising using management's estimate of the cost associated with each activity.

Florence Immigrant and Refugee Rights Project, Inc.
Notes to Financial Statements
December 31, 2012

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Grants and Contracts Receivable

Grants and contracts receivable are deemed to be fully collectible by management and are composed of the following amounts as of December 31, 2012:

Lutheran Immigration/Refugee Serv.	\$	9,005
Vera Institute of Justice		119,648
		\$ 128,653

Note 3 – Property and Equipment

Property and equipment consists of the following at December 31, 2012:

Land	\$	42,500
Building		402,434
Office furniture and equipment		65,631
		510,565
Less accumulated depreciation		(117,707)
		\$ 392,858

Note 4 – Compensated Absences

The Organization has established a policy to pay each employee their accrued vacation time upon termination. It is the Organization's policy to permit employees to accumulate earned but unused vacation time. Employees are allowed to carry forward 240 hours into the next year. The cost of current leave privileges is recognized as a current year expense in the period in which it is earned, in accordance with generally accepted accounting principles.

At December 31, 2012 total leave to be paid upon termination totaled \$32,761.

Florence Immigrant and Refugee Rights Project, Inc.
Notes to Financial Statements
December 31, 2012

Note 5 – Operating Leases

The Organization leases two office spaces under operating lease agreements. In both agreements, the lessor is responsible for all real estate taxes and insurance, with the exception of liability insurance, which is the responsibility of the lessee. The leases require minimum monthly payments of \$1,841 and terminate on August 31, 2013. Total rent expense for the year ended December 31, 2012 was \$18,439.

Note 6 – Note Payable

The note payable of \$76,062 at December 31, 2012 is payable to a bank under a loan agreement requiring monthly payments of \$2,472 including interest at 7.58% with all remaining unpaid principal and interest due January 2015. The loan is secured by land and the Organization's administration building.

The Organization's note payable payments to maturity are as follows:

Year Ending December 31,	Principal	Interest	Total
2013	\$ 24,740	\$ 4,918	\$ 29,658
2014	26,682	2,976	29,658
2015	24,640	-	24,640
Total	<u>\$ 76,062</u>	<u>\$ 7,894</u>	<u>\$ 83,956</u>

Note 7 - Current Vulnerability Due to Certain Concentrations

The Organization received approximately 60% of its support through agreements with the Vera Institute of Justice and the Arizona Foundation for Legal Services and Education during the year ended December 31, 2012. Programs operated by the Florence Immigrant and Refugee Rights Project, Inc. depend on continued support by these organizations. If the amount of revenues received from these organizations fall below critical levels, the Organization's operating results could be adversely affected.

Note 8 – Subsequent Events

Management has evaluated for potential recognition and disclosure, events subsequent to the date of the statement of financial position through May 13, 2013, the date on which the financial statements were available to be issued. No events have occurred subsequent to December 31, 2012, that would require adjustment to or disclosure in the accompanying financial statements.