



FLORENCE
IMMIGRANT
& REFUGEE
RIGHTS PROJECT

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

Phoenix, Arizona

FINANCIAL STATEMENTS

Year Ended December 31, 2021

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Florence Immigrant and Refugee Rights Project, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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, 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Florence Immigrant and Refugee Rights Project, Inc. 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.

Emphasis of Matter

As discussed in Note 12 to the financial statements, net assets at December 31, 2020 have been restated. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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, including omissions, 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Florence Immigrant and Refugee Rights Project, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Florence Immigrant and Refugee Rights Project, Inc.'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.

Henry + Home, LLP

Tempe, Arizona
October 11, 2022

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 4,813,442
Contracts receivable	1,713,114
Grants receivable	324,853
Accrued interest receivable	29,146
Prepaid expenses	<u>65,816</u>

TOTAL CURRENT ASSETS 6,946,371

INVESTMENTS

Operating investments	4,051,659
Board designated investments - operating reserves	7,900,000
Endowment investments	<u>112,386</u>

TOTAL INVESTMENTS 12,064,045

PROPERTY AND EQUIPMENT, net 425,884

SECURITY DEPOSITS 44,578

TOTAL ASSETS \$ 19,480,878

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 106,516
Accrued expenses	578,746
Deferred rent liability	<u>24,145</u>

TOTAL CURRENT LIABILITIES 709,407

NET ASSETS

Without donor restrictions	
Board designated endowment fund	54,822
Board designated operating reserves	7,900,000
Undesignated	<u>6,352,266</u>

14,307,088

With donor restrictions 4,464,383

TOTAL NET ASSETS 18,771,471

TOTAL LIABILITIES AND NET ASSETS \$ 19,480,878

See accompanying notes.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	\$ 2,405,199	\$ 52,500	\$ 2,457,699
In-kind donations	910,852	-	910,852
Grants	398,987	5,112,202	5,511,189
Contract revenue	8,891,228	-	8,891,228
Investment return	106,510	5,064	111,574
Other income	29,816	-	29,816
Release from time and purpose restrictions	4,478,024	(4,478,024)	-
TOTAL REVENUE AND SUPPORT	<u>17,220,616</u>	<u>691,742</u>	<u>17,912,358</u>
OPERATING EXPENSES			
Program services	12,749,100	-	12,749,100
Management and general	2,145,095	-	2,145,095
Fundraising	893,021	-	893,021
TOTAL EXPENSES	<u>15,787,216</u>	<u>-</u>	<u>15,787,216</u>
CHANGE IN NET ASSETS	<u>1,433,400</u>	<u>691,742</u>	<u>2,125,142</u>
NET ASSETS, BEGINNING OF YEAR	12,623,688	3,622,641	16,246,329
PRIOR PERIOD ADJUSTMENT (Note 12)	<u>250,000</u>	<u>150,000</u>	<u>400,000</u>
ADJUSTED NET ASSETS, BEGINNING OF YEAR	<u>12,873,688</u>	<u>3,772,641</u>	<u>16,646,329</u>
NET ASSETS, END OF YEAR	<u>\$ 14,307,088</u>	<u>\$ 4,464,383</u>	<u>\$ 18,771,471</u>

See accompanying notes.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services	Management and General	Fundraising Activities	Total
Salaries and wages	\$ 8,237,183	\$ 1,296,165	\$ 470,714	\$ 10,004,062
Employee benefits	1,197,764	186,493	73,942	1,458,198
Payroll taxes	634,992	94,900	35,526	765,417
	<u>10,069,938</u>	<u>1,577,558</u>	<u>580,182</u>	<u>12,227,677</u>
Accounting fees	-	41,027	-	41,027
Bank fees	-	33,158	-	33,158
Client services	230,314	-	-	230,314
Computer equipment and support	262,440	43,389	57,656	363,486
Depreciation	-	84,546	-	84,546
Equipment rental	37,261	5,255	1,314	43,829
Facilities rent	659,156	93,051	23,263	775,470
Fundraising and development	-	-	108,129	108,129
Insurance	70,436	6,047	1,055	77,538
Interest expense	-	252	-	252
Legal materials	56,835	-	-	56,835
Office expense	49,434	8,450	2,252	60,136
Office repair and maintenance	19,982	3,399	700	24,081
Outside services	946,272	130,445	69,637	1,146,355
Postage	93,969	12,283	34,952	141,204
Professional dues	29,111	5,041	4,407	38,559
Recruiting	-	11,880	-	11,880
Staff events	21,335	20,088	1,157	42,580
Telephone	118,233	16,193	3,923	138,349
Training	31,267	44,042	2,324	77,632
Utilities	10,793	1,528	381	12,702
Vehicle and travel	42,324	7,463	1,688	51,476
	<u>42,324</u>	<u>7,463</u>	<u>1,688</u>	<u>51,476</u>
TOTAL EXPENSES	<u>\$ 12,749,100</u>	<u>\$ 2,145,095</u>	<u>\$ 893,021</u>	<u>\$ 15,787,216</u>

See accompanying notes.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 2,125,142
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	84,546
Realized and unrealized loss on investments	195,885
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Contracts receivable	306,818
Grants receivable	75,147
Prepaid expenses	4,552
Accrued interest receivable	(19,196)
Increase (decrease) in:	
Accounts payable	14,010
Accrued expenses	(16,512)
	<u>2,770,392</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>2,770,392</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(10,399,738)
Proceeds from sales of investments	<u>8,929,272</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,470,466)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,299,926
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,513,516</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 4,813,442</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	<u>\$ 251</u>

See accompanying notes.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Florence Immigrant and Refugee Rights Project, Inc. (the "Project") is a nonprofit, community based legal service organization that provides and coordinates legal and related social services to indigent men, women, and unaccompanied children detained in Arizona for immigration removal proceedings. The Project strives to ensure that detained individuals have access to counsel, understand their rights under immigration law, and are treated fairly and humanely by the judicial system. Programs are funded primarily through grants and contributions.

Basis of Presentation

The financial statements of the Project have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Project considers all highly liquid debt instruments with an original maturity of ninety days or less at date of acquisition to be cash equivalents. Cash held in accounts with stock brokerage firms are reported as investments as they represent accounts used for the purchases and sales of investments and are excluded from this definition. Cash and highly liquid financial instruments restricted to endowments that are perpetual in nature, or other long-term purposes are also excluded from this definition.

Contracts Receivable

Contracts receivable consist primarily of amounts due from various agencies for contract revenue and are unsecured. Contracts receivable is carried at the outstanding balances less an allowance for doubtful accounts, if applicable. The Project evaluates the collectability of its contracts receivable based on a combination of factors. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. Accounts are charged off against the allowance when they are deemed to be uncollectible. Contracts receivable at December 31, 2021 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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

Promises to Give and Grants Receivable

Unconditional promises to give and certain grants receivable are recognized as revenues in the period the promise or grant is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates as determined by management applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, the Project records a specific reserve to reduce the amounts recorded to what it believes will be collected. Promises are charged off against the allowance when they are deemed to be uncollectible. Grants receivable at December 31, 2021, are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Project has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">• Quoted prices for similar assets or liabilities in active markets;• Quoted prices for identical or similar assets or liabilities in inactive markets;• Inputs other than quoted prices that are observable for the asset or liability;• Inputs that are derived principally from or corroborated by observable market data by correlation or other means. |

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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

Fair Value Measurements (Continued)

If the asset or liability has a specified term (contractual term), the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Project's own assumptions about the assumptions that market participants would use in pricing the assets (i.e. real estate valuations, broker quotes).

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments with readily determinable fair values are recorded at fair value as determined by quoted market prices in active markets. Investments held with the Arizona Community Foundation (ACF) are valued based on the value of the underlying assets held by ACF and the Project's percentage interest in ACF's investment pool. There are no unfunded commitments or redemption provisions associated with these investments held at ACF.

Investment return (consisting of realized and unrealized gains and losses on investments, interest and dividends, less external investment expenses) is included in the change in net assets in the accompanying statement of activities, unless the income or loss is restricted by donor or law.

Risk and Uncertainty

The Project invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes, could materially affect the amount reported in the statements of financial position.

Property and Equipment

Acquisitions of property and equipment in excess of \$5,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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

Property and Equipment (Continued)

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

Impairment of Long-Lived Assets

The Project reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Endowment Funds

The Project's endowment funds consist of one donor restricted fund and a fund designated by the Board of Directors. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Project follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Project to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continue in perpetuity.

The Project classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund also includes accumulated earnings in the fund that are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Project in a manner consistent with the standard of prudence prescribed by MCFA.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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

Endowment Funds (Continued)

In accordance with MCFA, the Project considers the following factors in making a determination to appropriate or accumulate board designated and donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the board designated and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) the Project's other resources, and (7) the Project's investment policies.

The Board had designated certain net assets without donor restrictions as general endowment funds to support future operations of the Project. Since these amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as board designated net assets without donor restrictions. The Project's policy is to maintain the board designated net assets without restrictions balance at the investment account balance until the Board approves spending from the funds.

Investment Return Objectives, Risk Parameters and Strategies: The Project has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of return to increase its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation to ensure the continued growth of the funds. Endowment assets are invested in a well-diversified asset mix, which include, but are not limited to equities, bond funds, equity funds, and cash equivalents.

Spending Policy: Unless specified instructions were provided by the donors, the Project has elected to reinvest investment earnings into the fund. The Project's objective is to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

Net Assets

The Project reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated a board-designated endowment and operating reserves from net assets without donor restrictions.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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

Net Assets (Continued)

- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to funding sources and clients in an amount equal to the consideration the entity receives or expects to receive. For nonpublic companies, this standard was originally effective for annual reporting periods beginning after December 15, 2018. In May 2020, FASB extended the effective date by one year to all nonpublic entities who have not yet issued their financial statements. The Project adopted this guidance as of January 1, 2021.

The Project's earned revenue arrangements consist of a single performance obligation to transfer promised services. Based on the Project's evaluation of its contracts with funding sources and clients the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Contract revenue where performance obligations are satisfied at a point in time consist primarily of legal and immigration services. The Project recognizes revenue at a point in time, in the period the services are provided. Amounts are billed in the month the service is provided and each performance obligation is completed. Amounts billed for these services are considered past due at 30 days after invoices are submitted. Contract balances include the contracts receivable balance which was \$1,713,114 and \$2,019,932 at December 31, 2021 and 2020, respectively.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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

Contributions and Change in Accounting Principle

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities- Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarified and improved guidance for contributions received and contributions made by clarifying whether to account for transactions as contributions or as exchange transactions. This change also clarifies whether a contribution is conditional or unconditional. As a result, it enhances comparability of financial information among not-for-profit entities. This change in accounting principle was adopted on as of January 1, 2021. As a result of adoption, there was no cumulative-effect adjustment to beginning net assets without donor restrictions or beginning net assets with donor restrictions as of December 31, 2020.

Contributions and grants, including promises to give, are received and recorded as income and net assets without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services, Materials and Use of Facilities

Donated services are recorded at their estimated fair value if they enhance the Project's nonfinancial assets; or require specialized skills, are provided by individuals possessing those skills, and the Project would normally purchase if not provided by donation. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principles guidelines. Donated materials and other non-cash assets are recorded at fair value in the period received. Donated use of facilities is recorded at the estimated fair value.

Functional Allocation of Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services benefited. Personnel costs are allocated based on actual employee activities based on time and effort, and indirect expenses are allocated based on the percentage of personnel costs in a particular program or area compared to total personnel costs for the project. Facilities rent is allocated based on square footage utilized by the function.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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

Income Tax Status

Florence Immigrant and Refugee Rights Project, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (“the Code”), and accordingly, there is no provision for corporate income taxes in the accompanying financial statements. In addition, the Project qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Project recognizes uncertain tax positions in the financial statements when it is more likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of December 31, 2021, the Project had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Project recognizes interest and penalties associated with income tax in operating expenses. During the year ended December 31, 2021, the Project did not have any income tax related interest and penalty expense.

Management’s 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. Accordingly, actual results could differ from these estimates.

Date of Management’s Review

In preparing these financial statements, the Project has evaluated events and transactions for potential recognition or disclosure through October 11, 2022, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY

The Project regularly monitors liquidity required to meet its operating needs, while also striving to maximize the investment of its available funds. The Project has financial assets available as sources of liquidity, including cash and cash equivalents, and various securities. In addition, the Project invests cash in excess of daily requirements in short-term investments.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2021

NOTE 2 LIQUIDITY (Continued)

The following table reflects the Project's financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. In the event the need arises to utilize the board-designated funds of approximately \$7,955,000, these funds could be drawn upon through board resolution, for liquidity purposes. Financial assets available to meet financial obligations over the next year are as follows:

Cash and cash equivalents	\$ 4,813,442
Investments	12,064,045
Contracts receivable	1,713,114
Grants receivable	324,853
Accrued interest receivable	<u>29,146</u>
	18,944,600
Endowment investments	(112,386)
Board designated investments - operating reserve	<u>(7,900,000)</u>
Financial assets available for financial obligations	<u><u>\$ 10,932,214</u></u>

NOTE 3 CONCENTRATIONS OF CREDIT RISK AND REVENUE DEPENDENCY

Financial instruments that potentially subject the Project to significant concentrations of credit risk consist principally of cash and cash equivalents and contracts receivable. The Project maintains its cash in bank accounts, which at times may exceed federally insured limits. The Project has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Gross contracts receivable are unsecured and include amounts from one contract source making up approximately 90% of total contracts receivable as of December 31, 2021. Concentrations of credit risk with respect to receivables are limited due to the collection history and relationship with this payer source.

Contract revenue includes an amount from one contract source that makes up 50% of total revenue and support for the year ended December 31, 2021. Contributions includes an amount from one donor that makes up 11% of total revenue and support for the year ended December 31, 2021.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2021

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

The following is a summary of financial instruments measured at fair value on a recurring basis by classification within the fair value hierarchy as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and money market funds	\$ 1,005,502	\$ -	\$ -	\$ 1,005,502
Fixed income securities	8,836,590	-	-	8,836,590
US domestic equities	1,571,453	-	-	1,571,453
Foreign equities	343,477	-	-	343,477
Corporate bonds	194,637	-	-	194,637
Funds held with ACF	-	-	112,386	112,386
	<u>\$ 11,951,659</u>	<u>\$ -</u>	<u>\$ 112,386</u>	<u>\$ 12,064,045</u>

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended December 31, 2021:

Balance at December 31, 2020	\$ -
Contributions	102,500
Interest and dividend income	954
Realized gains	414
Unrealized gains	9,382
Investment fees	(864)
	<u>112,386</u>
Balance at December 31, 2021	<u>\$ 112,386</u>

Investment return is summarized as follows for the year ended December 31, 2021:

Interest and dividends	\$ 343,920
Realized gains	381
Unrealized losses	(196,266)
Investment fees	(36,461)
	<u>111,574</u>

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2021

NOTE 5 PROPERTY AND EQUIPMENT

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

Land	\$ 42,500
Building	414,839
Leasehold improvements	186,520
Office furniture and equipment	<u>144,539</u>
	788,398
Less accumulated depreciation	<u>362,514</u>
	<u><u>\$ 425,884</u></u>

Depreciation expense for the year ended December 31, 2021 was \$84,546.

NOTE 6 ENDOWMENT FUNDS

The endowment net asset composition by type of fund as of December 31, 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated	\$ 54,822	\$ -	\$ 54,822
Donor-restricted			
Original donor-restricted amount	-	52,500	52,500
Accumulated investment earnings	<u>-</u>	<u>5,064</u>	<u>5,064</u>
Total endowment funds	<u><u>\$ 54,822</u></u>	<u><u>\$ 57,564</u></u>	<u><u>\$ 112,386</u></u>

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2021

NOTE 6 ENDOWMENT FUNDS (Continued)

Changes in endowment funds are as follows for the year ending December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance at December 31, 2020	\$ -	\$ -	\$ -
Contributions	50,000	52,500	102,500
Interest and dividend income	465	489	954
Realized gains	202	212	414
Unrealized gains	4,576	4,806	9,382
Investment fees	(421)	(443)	(864)
Amounts appropriated for expenditure	-	-	-
Balance at December 31, 2021	<u>\$ 54,822</u>	<u>\$ 57,564</u>	<u>\$ 112,386</u>

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2021

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2021:

Subject to expenditure for specific purposes:	
Mission engagement	\$ 2,743,114
Legal and social services	812,633
Advocacy communications	78,330
Social services	54,808
Communications	15,000
Client support costs	10,000
Staff development	9,340
	<u>3,723,225</u>
Subject to expenditure for passage of time and specific purpose:	
Legal services	<u>63,288</u>
Subject to expenditure for passage of time:	
2022 Operating expenses	<u>620,306</u>
Endowment funds:	
Portion of perpetual endowment funds that are required to be permanently retained	52,500
Investment return on perpetual endowment funds subject to a time restriction under MCFA	5,064
	<u>57,564</u>
	<u><u>\$ 4,464,383</u></u>

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS
 Year Ended December 31, 2021

NOTE 7 NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets were released from restriction during the year ended December 31, 2021:

Released from restrictions for specific purposes:	
Legal and social services	\$ 1,675,062
Social services	216,964
Mission engagement	159,089
Advocacy communications	121,670
Staff development	10,660
Client support costs	5,000
	<u>2,188,445</u>
Released from restriction for passage of time and specific purpose:	
Legal services	<u>86,713</u>
Released from restriction for passage of time:	
2021 Operating expenses	<u>2,202,866</u>
	<u><u>\$ 4,478,024</u></u>

NOTE 8 DONATED SERVICES AND MATERIALS

Donated services and materials consist of the following for the year ended December 31, 2021:

	Program Services	Management and General	Fundraising	Total
Legal services	\$ 899,990	\$ -	\$ -	\$ 899,990
Client transportation	6,400	-	-	6,400
Professional services	-	-	1,860	1,860
Publications	1,427	-	-	1,427
Client well-being	1,175	-	-	1,175
	<u>\$ 908,992</u>	<u>\$ -</u>	<u>\$ 1,860</u>	<u>\$ 910,852</u>

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 9 COMMITMENTS AND CONTINGENCIES

Operating Leases

The Project is obligated under the terms of non-cancellable operating leases for the rental of office equipment and office and storage space for several of its administrative locations requiring monthly payments from approximately \$100 to \$34,000 through October 2026. Rental expense for these leases for the year ended December 31, 2021 totaled approximately \$775,000.

Future minimum lease payments are as follows for the years ending December 31:

<u>Years Ending December 31,</u>	
2022	\$ 784,000
2023	409,000
2024	246,000
2025	235,000
2026	172,000
Thereafter	-
	<hr/>
	<u>\$ 1,846,000</u>

NOTE 10 RETIREMENT PLANS

The Project sponsors a defined contribution pension plan under section 403(b) of the Internal Revenue Code. Employees are eligible to participate upon hire for purposes of making elective deferrals. Employees who have attained 21 years of age and have completed 12 months of continuous service are eligible to receive employer matching contributions.

The Project matches employee deferrals in accordance with a discretionary matching contribution equal to a uniform percentage or dollar amount of employee elective deferrals. Each year, the Project will determine the formula for the discretionary matching contribution. In order to share in the matching contribution, the employee must be employed on the last day of the plan year and must complete at least 1,000 hours of service during the plan year. The Project contributed \$242,895 in matching contributions for the year ended December 31, 2021.

NOTE 11 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2021, the Project received contribution from board members and employees of approximately \$63,000.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 12 PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2021, management determined that certain multi-year grants received in prior years were not properly recorded as revenue in the period received. As a result, total net assets as of December 31, 2020 was understated in the amount of \$400,000. Management has restated its net asset balances for this misstatement.

The effect of the restatement on the Project's previously issued December 31, 2020 financial statements is summarized below:

	As Previously Reported	Restated	Change
Grants and contracts receivable	\$ 2,019,932	\$ 2,419,932	\$ 400,000
Grants and contracts revenue	\$ 8,956,492	\$ 9,356,492	\$ 400,000
Total change in net assets	\$ 3,096,659	\$ 3,496,659	\$ 400,000
Net assets as of December 31, 2020:			
Without donor restrictions	\$ 12,623,688	\$ 12,873,688	\$ 250,000
With donor restrictions	3,622,641	3,772,641	150,000
	<u>\$ 16,246,329</u>	<u>\$ 16,646,329</u>	<u>\$ 400,000</u>

NOTE 13 NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued ASU No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2021. The standard's core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The FASB has also issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which will require the Project to present contributed nonfinancial assets in a separate line item in the statement of activities and to disclose certain information about the contributed nonfinancial assets, including whether the assets were monetized or utilized by the Project. In addition, the Project will be required to disclose a description of how these assets are valued. This ASU must be adopted for annual reporting periods beginning after June 15, 2021. The Project does not expect a significant impact to the financial statements when this standard is adopted.