

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

Audited Financial Statements

For the year ended December 31, 2022

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FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

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INDEPENDENT AUDITOR'S REPORT

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

**Opinion**

We have audited the accompanying financial statements of Florence Immigrant and Refugee Rights Project, Inc. (a nonprofit Project), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses 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, 2022, 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 Auditor's 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.

**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. ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

**Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, 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.



## INDEPENDENT AUDITOR'S REPORT, Continued

### **Auditor's Responsibilities for the Audit of the Financial Statements, continued**

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 combined 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. 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. 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.

*LUDWIG KLONER → RUONOR PLLC*

March 12, 2024

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

STATEMENT OF FINANCIAL POSITION  
December 31, 2022

|   |                      |
|---|----------------------|
| Current assets:                             |                      |
| Cash and cash equivalents                   | \$ 4,909,457         |
| Contracts receivable                        | 3,058,935            |
| Grants and contributions receivable         | 1,086,231            |
| Accrued interest receivable                 | 55,967               |
| Prepaid expenses                            | 102,108              |
| Total current assets                        | <u>9,212,698</u>     |
| Investments                                 | 25,594,686           |
| Beneficial interest in funds held by others | 229,056              |
| Operating lease right-of-use assets         | 1,726,364            |
| Property and equipment, net                 | 361,234              |
| Security deposits                           | 42,692               |
| Total assets                                | <u>\$ 37,166,730</u> |

LIABILITIES AND NET ASSETS

|  |                      |
|--|----------------------|
| Current liabilities:                             |                      |
| Accounts payable                                 | \$ 228,161           |
| Accrued expenses                                 | 825,175              |
| Operating lease liabilities, current portion     | 758,309              |
| Total current liabilities                        | <u>1,811,645</u>     |
| Operating lease liabilities, non-current portion | 931,295              |
| Total liabilities                                | <u>2,742,940</u>     |
| Net assets:                                      |                      |
| Without donor restrictions:                      |                      |
| Board-designated endowment fund                  | 140,955              |
| Board-designated operating reserves              | 9,370,051            |
| Undesignated                                     | 15,694,397           |
| Total net assets without donor restrictions      | <u>25,205,403</u>    |
| Net assets with donor restrictions               | 9,218,387            |
| Total net assets                                 | <u>34,423,790</u>    |
| Total liabilities and net assets                 | <u>\$ 37,166,730</u> |

See independent auditor's report and accompanying notes

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

STATEMENT OF ACTIVITIES  
For the year ended December 31, 2022

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total         |
|---|-------------------------------|----------------------------|---------------|
| Revenues and support:   |                               |                            |               |
| Grants  | \$ 13,694,160                 | \$ 7,301,334               | \$ 20,995,494 |
| Contract revenue  | 10,377,285                    | -                          | 10,377,285    |
| Contributions   | 2,264,730                     | 40,000                     | 2,304,730     |
| In-kind contributions   | 712,639                       | -                          | 712,639       |
| Other income  | 5,504                         | -                          | 5,504         |
| Change in value of beneficial interest in<br>funds held by others | (30,426)                      | (9,463)                    | (39,889)      |
| Investment loss, net  | (891,968)                     | -                          | (891,968)     |
| Total revenue and support   | 26,131,924                    | 7,331,871                  | 33,463,795    |
| Net assets released from restrictions                             | 2,577,867                     | (2,577,867)                | -             |
| Total revenues, support and reclassifications                     | 28,709,791                    | 4,754,004                  | 33,463,795    |
| Expenses:   |                               |                            |               |
| Program services  | 14,019,596                    | -                          | 14,019,596    |
| Supporting services   |                               |                            |               |
| General and administrative  | 2,914,821                     | -                          | 2,914,821     |
| Fund-raising and development                                      | 877,059                       | -                          | 877,059       |
| Total expenses  | 17,811,476                    | -                          | 17,811,476    |
| Change in net assets  | 10,898,315                    | 4,754,004                  | 15,652,319    |
| Net assets, beginning of year                                     | 14,307,088                    | 4,464,383                  | 18,771,471    |
| Net assets, end of year   | \$ 25,205,403                 | \$ 9,218,387               | \$ 34,423,790 |

See independent auditor's report and accompanying notes.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2022

|                                     | Program<br>Services | Supporting Services           |                                 | Total         |
|-------------------------------------|---------------------|-------------------------------|---------------------------------|---------------|
|                                     |                     | General and<br>Administrative | Fund-raising<br>and Development |               |
| Salaries and wages                  | \$ 9,199,166        | \$ 1,570,589                  | \$ 448,740                      | \$ 11,218,495 |
| Payroll taxes and benefits          | 2,132,091           | 364,016                       | 104,004                         | 2,600,111     |
| Total salaries and related expenses | 11,331,257          | 1,934,605                     | 552,744                         | 13,818,606    |
| Outside services                    | 660,821             | 387,210                       | 47,500                          | 1,095,531     |
| Facilities rent                     | 617,062             | 95,497                        | 22,038                          | 734,597       |
| Computer and information technology | 277,521             | 68,533                        | 61,030                          | 407,084       |
| Vehicle and travel                  | 242,233             | 22,577                        | 21,005                          | 285,815       |
| Client expert services              | 236,731             | -                             | -                               | 236,731       |
| Telephone                           | 128,418             | 19,082                        | 5,704                           | 153,204       |
| Professional fees                   | -                   | 128,103                       | -                               | 128,103       |
| Insurance                           | 114,056             | 10,654                        | 2,915                           | 127,625       |
| Postage                             | 66,269              | 10,186                        | 28,647                          | 105,102       |
| Printing and advertising            | -                   | -                             | 104,287                         | 104,287       |
| Repairs and maintenance             | 64,471              | 9,816                         | 2,861                           | 77,148        |
| Office expense                      | 60,908              | 9,044                         | 3,481                           | 73,433        |
| Depreciation                        | -                   | 64,649                        | -                               | 64,649        |
| Legal publications                  | 63,681              | -                             | -                               | 63,681        |
| Staff appreciation events           | 30,717              | 26,806                        | 4,535                           | 62,058        |
| Training                            | 38,031              | 9,614                         | 14,343                          | 61,988        |
| Bank fees                           | -                   | 53,133                        | -                               | 53,133        |
| Recruiting                          | -                   | 51,311                        | -                               | 51,311        |
| Equipment rental                    | 41,795              | 6,332                         | 1,867                           | 49,994        |
| Professional dues                   | 34,250              | 5,924                         | 3,580                           | 43,754        |
| Utilities                           | 11,375              | 1,745                         | 522                             | 13,642        |
| Total functional expenses           | \$ 14,019,596       | \$ 2,914,821                  | \$ 877,059                      | \$ 17,811,476 |

See independent auditor's report and accompanying notes.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

STATEMENT OF CASH FLOWS  
For the year ended December 31, 2022

|  |                     |
|--|---------------------|
| Cash flows from operating activities:  |                     |
| Change in net assets   | \$ 15,652,319       |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                     |
| Depreciation   | 64,649              |
| Realized and unrealized loss on investments  | 1,392,101           |
| Operating lease right-of-use asset interest component  | (60,905)            |
| Change in value of beneficial interest in funds held by others                                 | 39,889              |
| Contributions to beneficial interest in funds held by others                                   | (157,000)           |
| Changes in operating assets and liabilities:   |                     |
| Contracts receivable   | (1,345,821)         |
| Grants and contributions receivable  | (761,378)           |
| Accrued interest receivable  | (26,821)            |
| Prepaid expenses   | (36,292)            |
| Deposits   | 1,886               |
| Accounts payable   | 121,645             |
| Accrued expenses   | 246,429             |
| Total adjustments  | <u>(521,618)</u>    |
| Net cash provided by operating activities  | 15,130,701          |
| Cash flows from investing activities:  |                     |
| Purchases of investments   | (19,701,203)        |
| Proceeds from sale of investments  | <u>3,661,017</u>    |
| Net cash used in investing activities  | (16,040,186)        |
| Cash flows from financing activities   | <u>-</u>            |
| Net change in cash and cash equivalents  | (909,485)           |
| Cash and cash equivalents, beginning of year   | <u>5,818,942</u>    |
| Cash and cash equivalents, end of year   | <u>\$ 4,909,457</u> |
| Supplemental schedule of cash flow information:  |                     |
| Cash paid for taxes  | <u>\$ -</u>         |
| Supplemental schedule of noncash investing<br>and financing activities:                        |                     |
| Operating right-of-use assets obtained in exchange for lease liabilities                       | <u>\$ 2,421,583</u> |

See independent auditor's report and accompanying notes.



FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. Organization

Florence Immigrant and Refugee Rights Project, Inc. (the "Project") is a nonprofit, community based legal service Project 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.

2. Summary of Significant Accounting Policies

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 and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation and Contributions

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions – net assets available for use in general operations and not subject to donor (or grantor) restrictions. Net assets without donor restrictions also includes net assets designated by the governing board for a general operating reserve and an endowment.
- Net assets with donor restrictions – net assets subject to donor (or grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as 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.

Use of Estimates

The preparation of the 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 the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

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 90 days or less at the date of acquisition to be cash equivalents. The Project maintains its cash in bank deposit accounts, which for short periods of time, may exceed federally insured limits of \$250,000 per institution. At December 31, 2022, the Project had \$3,181,559 on deposit in excess of federally insured limits.

See independent auditor's report.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2022

2. Summary of Significant Accounting Policies, Continued

Contracts Receivable

Contracts receivable consist primarily of amounts due from various agencies for contract revenue earned. Contracts receivable is carried at the outstanding balance less an allowance for doubtful accounts, if applicable. The Project evaluates the collectability of contracts receivable based on a combination of factors. Management periodically reviews accounts for collectability and writes off accounts when they are deemed uncollectible. At December 31, 2022, management believes all contracts receivable are fully-collectible, and accordingly no allowance for doubtful accounts has been recorded.

Grants and Contributions Receivable

Grants receivable consists of amounts due from grantors for revenue earned but not received. Grants receivable is carried at the outstanding balance less an allowance for doubtful accounts, if applicable. If management determines that a grant receivable is uncollectible, the amount is written off. At December 31, 2022, management believes all grants receivable are fully-collectible, and accordingly no allowance for doubtful accounts has been recorded.

Contributions receivable consists of contributions made prior to year-end but not remitted to the Project by the third-party agent until subsequent to year-end.

Investments

In accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at fair market value. Unrealized gains and losses are included in the change in net assets.

Investments held by brokerage institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. The Project had \$26,622,287 in investments in excess of the SIPC limit at December 31, 2022. It is the opinion of management that the solvency of the referenced financial institutions is not of concern at this time.

Beneficial Interest in Funds Held by Others

Beneficial interest in funds held by others consists of funds held as an investment at the Arizona Community Foundation.

Property and Equipment

Expenditures in excess of \$5,000, for major improvements or items that benefit future periods, are capitalized at cost if purchased or at fair market value at the date of gift if donated. 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. Depreciation is computed using the straight-line method over the following estimated useful lives of the assets:

|                                |              |
|--------------------------------|--------------|
| Buildings                      | 39 years     |
| Leasehold improvements         | 3 - 7 years  |
| Office furniture and equipment | 5 - 10 years |

The Project periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review.

See independent auditor's report.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2022

2. Summary of Significant Accounting Policies, Continued

Contract Revenue Recognition

The Project recognizes revenue from contracts in accordance with FASB ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The Project's contract revenue arrangements consist of a single performance obligation to transfer promised services. 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 as of 30 days after the invoice is submitted.

Donated Services and Materials

Donated materials are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Income Tax Status

The Project is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from Arizona income tax under Arizona Revised Statute Section 43-1201(4). Therefore, no provision has been made for income taxes in the accompanying combined financial statements. In addition, the Project qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(A)(1). There were no income taxes paid during the year ended December 31, 2022.

The Project's policy is to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of December 31, 2022, there were no uncertain tax positions that are potentially material.

Advertising Costs

Advertising costs are expensed as incurred. The Project does not participate in direct-response advertising, which requires the capitalization and amortization of related costs. Advertising expense for the years ended December 31, 2022 was \$95,469.

Allocation of Expenses

The Project allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural classification. Certain other expenses are allocated among the 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 and related costs are allocated based on square footage utilized by the function.

See independent auditor's report.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2022

2. Summary of Significant Accounting Policies. Continued

Leases

The Project adopted FASB ASU 2016-03, *Leases* (Topic 842) ("ASC 842") effective January 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Project's balance sheet but did not have a material impact on the income statement. The most significant impact was the recognition of right-of-use (ROU) assets and lease liabilities for operating leases. Adoption of the standard required the Project to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets and operating lease liabilities of \$2,421,583.

3. Liquidity and Availability of Resources

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 the 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.

The following table reflects the Project's financial assets as of December 31, 2022, 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. Should the need arise, board-designated funds in the amount of \$9,370,051 could be drawn upon through board resolution. Financial assets available to meet financial obligations at December 31, 2022 are:

|   |                      |
|---|----------------------|
| Cash and cash equivalents   | \$ 4,909,457         |
| Contracts receivable  | 3,058,935            |
| Grants and contributions receivable   | 1,086,231            |
| Accrued interest receivable   | 55,967               |
| Investments   | <u>25,594,686</u>    |
| Total financial assets available within one year  | 34,705,276           |
| Board designated investments - operating reserve  | (9,370,051)          |
| Net assets with donor restrictions, net of endowments                                     | <u>(9,130,286)</u>   |
| Total financial assets available to management<br>for general expenditure within one year | <u>\$ 16,204,939</u> |

4. Concentrations

Contracts receivable are unsecured and include amounts from two contract sources that comprise 99% (62% and 37%) of the total contracts receivable balance at December 31, 2022. Contract revenue includes amounts from two sources that comprise 71% (48% and 23%) of total contract revenue for the year ended December 31, 2022.

5. Investments

Investments are valued at fair market value and consist of the following at December 31, 2022:

|                           |                      |
|---------------------------|----------------------|
| U.S. Treasury obligations | \$ 19,366,092        |
| Equities                  | 4,122,125            |
| Fixed income              | 1,721,891            |
| Alternative investments   | 384,578              |
| Total investments         | <u>\$ 25,594,686</u> |

See independent auditor's report.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2022

5. Investments, Continued

Investment loss consists of the following for the year ended December 31, 2022:

|                              |                     |
|------------------------------|---------------------|
| Interest and dividends       | \$ 548,782          |
| Realized and unrealized loss | (1,392,101)         |
| Investments fees             | <u>(48,649)</u>     |
| Investment loss, net         | <u>\$ (891,968)</u> |

6. Fair Value Measurements

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework 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 described 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:

- 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.

If the asset or liability has a specified (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.

The asset 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

- *Equities, government securities, fixed income:* Valued at fair value based on national trade listing.
- *Alternative investments:* Valued at the net asset value ("NAV") of shares held by the Project at year end.

See independent auditor's report.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2022

6. Fair Value Measurements, Continued

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Project believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair values of investment assets measured on a recurring basis at December 31, 2022 are:

|   | Level 1              | Level 2           | Level 3           | Total                |
|---|----------------------|-------------------|-------------------|----------------------|
| U.S. Treasury obligations                   | \$ 19,366,092        | \$ -              | \$ -              | \$ 19,366,092        |
| Equities                                    | 4,122,125            | -                 | -                 | 4,122,125            |
| Fixed income                                | 1,721,891            | -                 | -                 | 1,721,891            |
| Alternative investments                     | -                    | 384,578           | -                 | 384,578              |
| Total investments                           | <u>\$ 25,210,108</u> | <u>\$ 384,578</u> | <u>\$ -</u>       | <u>\$ 25,594,686</u> |
| Beneficial interest in funds held by others | <u>\$ -</u>          | <u>\$ -</u>       | <u>\$ 229,056</u> | <u>\$ 229,056</u>    |

The table below sets forth a summary of changes in level 3 investments for the year ended December 31, 2022:

|                               |                   |
|-------------------------------|-------------------|
| Balance, beginning of year    | \$ 111,945        |
| Contributions                 | 157,000           |
| Change in beneficial interest | <u>(39,889)</u>   |
| Balance, end of year          | <u>\$ 229,056</u> |

7. Property and Equipment

Property and equipment consists of the following as of December 31, 2022:

|                                   |                   |
|-----------------------------------|-------------------|
| Land                              | \$ 42,500         |
| Buildings                         | 414,839           |
| Leasehold improvements            | 186,520           |
| Office furniture and equipment    | <u>144,538</u>    |
| Total property and equipment      | 788,397           |
| Less accumulated depreciation     | <u>(427,163)</u>  |
| Total property and equipment, net | <u>\$ 361,234</u> |

See independent auditor's report.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2022

8. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022,:

Subject to expenditure for specific purpose:

|                           |                  |
|---------------------------|------------------|
| Legal and social services | \$ 6,883,080     |
| Mission engagement        | 1,877,294        |
| Social services           | 31,998           |
| Staff development         | 9,340            |
| Client support costs      | 5,000            |
|                           | <u>8,806,712</u> |

Subject to expenditure for passage of time and specific purpose:

|                |        |
|----------------|--------|
| Legal services | 60,305 |
|----------------|--------|

Subject to expenditure for passage of time:

|                    |         |
|--------------------|---------|
| Operating expenses | 263,269 |
|--------------------|---------|

Endowments:

|                            |         |
|----------------------------|---------|
| Original endowment gifts   | 92,500  |
| Underwater endowment funds | (4,399) |

|                                    |                     |
|------------------------------------|---------------------|
| Net assets with donor restrictions | <u>\$ 9,218,387</u> |
|------------------------------------|---------------------|

Activity in net assets with donor restrictions is comprised of the following for the year ended December 31, 2022:

|   | <u>Contributions</u> | <u>Investment<br/>Income (Loss)</u> | <u>Releases</u>       |
|---|----------------------|-------------------------------------|-----------------------|
| Subject to expenditure for specified purpose:                       |                      |                                     |                       |
| Legal and social services   | \$ 6,795,000         | \$ -                                | \$ (724,553)          |
| Mission engagement  | -                    | -                                   | (865,820)             |
| Social services   | 103,000              | -                                   | (125,810)             |
| Client support costs  | 5,000                | -                                   | (10,000)              |
| Advocacy communications   | -                    | -                                   | (78,330)              |
| Communications  | 15,000               | -                                   | (30,000)              |
|   | <u>6,918,000</u>     | <u>-</u>                            | <u>(1,834,513)</u>    |
| Subject to expenditure for passage of time<br>and specific purpose: |                      |                                     |                       |
| Legal services  | 75,000               | -                                   | (77,983)              |
| Subject to expenditure for passage of time:                         |                      |                                     |                       |
| Operating expenses  | 308,334              | -                                   | (665,371)             |
| Endowment:  |                      |                                     |                       |
| Not subject to spending policy<br>or appropriation:                 |                      |                                     |                       |
| Original endowment gifts  | 40,000               | -                                   | -                     |
| Subject to spending policy or appropriation:                        |                      |                                     |                       |
| Accumulated earnings on endowments                                  | -                    | (9,463)                             | -                     |
| Net assets with donor restrictions                                  | <u>\$ 7,341,334</u>  | <u>\$ (9,463)</u>                   | <u>\$ (2,577,867)</u> |

See independent auditor's report.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2022

9. 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 accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors as endowments, are classified and reported based on the existence 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 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.

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 has designated certain net assets without donor restrictions as general endowment funds to support future operations of the Project. Board-designated endowment funds result from an internal designation and are, therefore, not considered donor-restricted. As a result, they are classified as net assets without donor restrictions. The Project's policy is to maintain the board-designated net assets without restrictions balance and the investment account balance until the Board approves spending from the funds.

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.

Unless specified instructions are provided by the donors, the Project elects 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.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires the Project to retain for a fund of perpetual duration.

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FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2022

9. Endowment Funds, Continued

The endowment net asset composition by fund type as of December 31, 2022 is:

|                                  | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|----------------------------------|-------------------------------|----------------------------|-------------------|
| Board-designated                 | \$ 140,955                    | \$ -                       | \$ 140,955        |
| Donor-restricted                 |                               |                            |                   |
| Original donor-restricted amount | -                             | 92,500                     | 92,500            |
| Underwater endowment funds       | -                             | (4,399)                    | (4,399)           |
| Total endowment funds            | <u>\$ 140,955</u>             | <u>\$ 88,101</u>           | <u>\$ 229,056</u> |

Changes in endowment funds are as follows for the year ended December 31, 2022:

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total             |
|---|-------------------------------|----------------------------|-------------------|
| Beginning balance   | \$ 54,381                     | \$ 57,564                  | \$ 111,945        |
| Contributions   | 117,000                       | 40,000                     | 157,000           |
| Change in value of beneficial interest in funds<br>held by others | (30,426)                      | (9,463)                    | (39,889)          |
| Ending balance  | <u>\$ 140,955</u>             | <u>\$ 88,101</u>           | <u>\$ 229,056</u> |

10. Donated Services and Materials

Donated services and materials consist of donated legal services in the amount of \$709,723 and donated materials in the amount of \$2,916. Donated services and materials for the year ended December 31, 2022 were utilized for program services.

11. Leases

The Project leases office space for several of its administrative locations under non-cancellable leases that expire between April 2024 and February 2028. The following summarizes line items in the combined statement of financial position for operating leases at December 31, 2022:

|  |                     |
|--|---------------------|
| Operating Leases:                                |                     |
| Operating lease right-of-use assets              | <u>\$ 1,726,364</u> |
| Operating lease liabilities, current portion     | \$ 758,309          |
| Operating lease liabilities, non-current portion | 931,295             |
| Total operating lease liabilities                | <u>\$ 1,689,604</u> |

The following summarizes the weighted average remaining lease terms and discount rates as of December 31, 2022:

|                                       |       |
|---------------------------------------|-------|
| Weighted average remaining lease term | 3.26  |
| Weighted average discount rates       | 0.95% |

See independent auditor's report.

FLORENCE IMMIGRANT AND REFUGEE RIGHTS PROJECT, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

For the year ended December 31, 2022

11. Leases, Continued

The maturities of lease liabilities as of December 31, 2022 are:

| Year ending<br><u>December 31.:</u> |                     |
|-------------------------------------|---------------------|
| 2023                                | \$ 770,719          |
| 2024                                | 417,596             |
| 2025                                | 239,959             |
| 2026                                | 244,744             |
| 2027                                | <u>41,603</u>       |
| Total lease payments                | 1,714,621           |
| Less: interest                      | <u>(25,017)</u>     |
| Present value of lease liabilities  | <u>\$ 1,689,604</u> |

The following summarizes the line items in the combined statement of activities which include the components of lease expense for the year ended December 31, 2022:

|  |                   |
|--|-------------------|
| Operating lease included in occupancy and equipment rent expense | <u>\$ 689,959</u> |
|--|-------------------|

The following summarizes the cash flow information related to leases for the year ended December 31, 2022:

|   |                     |
|---|---------------------|
| Cash paid for amounts included in the measurement of lease liabilities: |                     |
| Operating cash flows from operating leases                              | <u>\$ 750,863</u>   |
| Lease assets obtained in exchange for lease obligations:                |                     |
| Operating leases  | <u>\$ 2,421,583</u> |

12. Retirement Plan

The Project sponsors a defined contribution pension plan (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 match 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 \$314,121 to the Plan during the year ended December 31, 2022.

13. Related Party Transactions

During the year ended December 31, 2022, the Project received contributions from Board members and employees in the combined amount of approximately \$64,000.

14. Subsequent Events

The Project was unaware of any subsequent events as of March 12, 2024, the date the financial statements were available to be issued.

See independent auditor's report.