



**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**TABLE OF CONTENTS
DECEMBER 31, 2022**

	<u>Pages</u>
Independent Auditor's Report	3-4
Consolidated Financial Statements	
Consolidated Statement of Financial Position	5
Consolidated Statement of Activities	6
Consolidated Statement of Functional Expenses	7
Consolidated Statement of Cash Flows	8
Notes to Consolidated Financial Statements	9-18
Consolidating Financial Statements	
Independent Auditor's Report on Consolidating Information.....	19
Consolidating Statement of Financial Position.....	20
Consolidating Statement of Activities	21

Independent Auditor's Report

Board of Directors
Capital Area Immigrants' Rights Coalition and
Acacia Center for Justice
Washington, D.C.

Opinion

We have audited the accompanying consolidated financial statements of Capital Area Immigrants' Rights Coalition (CAIR Coalition) and Acacia Center for Justice (Acacia), (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization 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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 2 of the consolidated financial statements, the Organization adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

In addition, the Organization adopted Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

Responsibilities of Management for the Consolidated Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated 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 consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
October 23, 2023

Certified Public Accountants

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 9,696,800
Grants and Contributions Receivable	328,033
Accounts Receivable	12,400,422
Prepaid Expenses	214,791
Total Current Assets	22,640,046
Property and Equipment	
Office Equipment	102,390
Furniture and Fixtures	2,140
Leasehold Improvements	741,456
Website	17,875
Software	8,147
	872,008
Less Accumulated Depreciation and Amortization	(209,381)
Net Property and Equipment	662,627
Operating Right-of-Use Assets	4,037,524
Deposits	78,716
Total Assets	<u><u>\$ 27,418,913</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 10,105,153
Accrued Payroll and Vacation	1,123,614
Refundable Advances	2,161,922
Deferred Revenue	1,300,112
Accrued Loss on Uncompleted Contract	249,560
Operating Lease Liabilities	489,520
Total Current Liabilities	15,429,881
Operating Lease Liabilities, Net of Current Portion	4,694,452
Total Liabilities	20,124,333
Net Assets	
Net Assets Without Donor Restrictions	6,950,414
Net Assets With Donor Restrictions	
Impact Lab	60,202
Detained Children's Program	53,900
General Legal Advocacy	172,031
Time Restricted	58,033
	344,166
Total Net Assets	7,294,580
Total Liabilities and Net Assets	<u><u>\$ 27,418,913</u></u>

See accompanying Notes to Consolidated Financial Statements.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Grants and Contributions	\$ 5,207,598	\$ 245,331	\$ 5,452,929
Contract Revenue	26,527,140	-	26,527,140
Donated Services	12,215,696	-	12,215,696
Other Revenue	11,445	-	11,445
Net Assets Released from Restrictions			
Impact Lab	122,180	(122,180)	-
Legal Advocacy in Virginia	2,604	(2,604)	-
Detained Children's Program	21,981	(21,981)	-
General Legal Advocacy	337,309	(337,309)	-
Time Restricted	90,000	(90,000)	-
Total Revenue	44,535,953	(328,743)	44,207,210
Expenses			
Program Services			
Legal	19,350,446	-	19,350,446
Legal Access and Orientation	8,966,245	-	8,966,245
Legal Representation	6,780,672	-	6,780,672
Total Program Services	35,097,363	-	35,097,363
Supporting Services			
Fundraising	457,890	-	457,890
General and Administration	4,071,464	-	4,071,464
Total Supporting Services	4,529,354	-	4,529,354
Total Expenses	39,626,717	-	39,626,717
Change in Net Assets	4,909,236	(328,743)	4,580,493
Net Assets, Beginning of Year	2,041,178	672,909	2,714,087
Net Assets, End of Year	\$ 6,950,414	\$ 344,166	\$ 7,294,580

See accompanying Notes to Consolidated Financial Statements.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Legal	Legal Access and Orientation	Legal Representation	Total Program Services	Fundraising	General and Administration	Total
Pro Bono Legal Services	\$ 12,110,683	\$ -	\$ -	\$ 12,110,683	\$ -	\$ 105,013	\$ 12,215,696
Salaries	5,176,340	586,599	812,793	6,575,732	219,638	2,578,038	9,373,408
Payroll Taxes	464,262	56,812	81,692	602,766	19,092	151,678	773,536
Fringe Benefits	381,788	97,254	124,879	603,921	19,114	292,121	915,156
Staff Training	22,459	-	-	22,459	2,054	18,188	42,701
Conference and Travel	63,096	2,315	4,383	69,794	5,389	37,358	112,541
Office Expenses	33,344	-	-	33,344	132,187	30,376	195,907
Operating Lease Expense	484,125	-	-	484,125	20,542	57,742	562,409
Contractual Services	254,264	7,943,534	5,450,510	13,648,308	24,516	154,292	13,827,116
Professional Fees	-	241,464	4,278	245,742	-	321,021	566,763
Communication Charges	35,112	673	487	36,272	1,490	10,408	48,170
Membership Dues	30,864	-	-	30,864	448	5,495	36,807
Equipment Rental and Maintenance	36,622	-	-	36,622	3,259	4,475	44,356
Printing Publications and Subscriptions	97,785	-	-	97,785	9,755	8,111	115,651
Taxes and Insurance	13,865	-	-	13,865	260	93,766	107,891
Depreciation and Amortization	-	-	-	-	-	73,261	73,261
In-House Litigation	145,837	-	-	145,837	146	300	146,283
Office Supplies	-	22,260	30,843	53,103	-	74,709	127,812
Other Expenses	-	15,334	21,247	36,581	-	55,112	91,693
Loss on Uncompleted Contract	-	-	249,560	249,560	-	-	249,560
Total Expenses	<u>\$ 19,350,446</u>	<u>\$ 8,966,245</u>	<u>\$ 6,780,672</u>	<u>\$ 35,097,363</u>	<u>\$ 457,890</u>	<u>\$ 4,071,464</u>	<u>\$ 39,626,717</u>

See accompanying Notes to Consolidated Financial Statements.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Cash Flows from Operating Activities

Change in Net Assets	\$ 4,580,493
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation and Amortization	73,261
Operating Lease Expense	562,409
<u>(Increase) Decrease in Assets</u>	
Grants and Contributions Receivable	112,234
Accounts Receivable	(11,430,512)
Prepaid Expenses	(43,125)
<u>(Decrease) Increase in Liabilities</u>	
Accounts Payable	10,090,066
Accrued Payroll and Vacation	695,893
Refundable Advances	2,125,464
Deferred Revenue	1,291,779
Deferred Rent and Lease Incentive	-
Accrued Loss on Uncompleted Contract	249,560
Operating Lease Liabilities	<u>(235,623)</u>
Net Cash Provided by Operating Activities	8,071,899

Cash Flows from Investing Activities

Purchases of Property and Equipment	<u>(7,631)</u>
Net Cash Used in Investing Activities	<u>(7,631)</u>

Net Increase in Cash and Cash Equivalents 8,064,268

Cash and Cash Equivalents, Beginning of Year 1,632,532

Cash and Cash Equivalents, End of Year \$ 9,696,800

Noncash Transactions from Investing and Financing Activities

Establishment of Right-of-Use Assets	\$ 4,269,106
Establishment of Lease Liabilities	5,088,768
Right-of-Use Asset Obtained in Exchange for Lease Liability	245,593

See accompanying Notes to Consolidated Financial Statements.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Capital Area Immigrants' Rights Coalition (CAIR Coalition) is a public interest legal organization incorporated on January 11, 1999, in the District of Columbia. CAIR Coalition brings immigrants, attorneys, volunteers, and community leaders together to work for a fair and humane immigration policy. CAIR Coalition provides legal advocacy, education and training services, public policy development, and information sharing.

In January 2022, CAIR Coalition established a new entity called Acacia Center for Justice (Acacia) to secure and fulfill certain federal contracts. Operations began in January 2022. The objective of Acacia is to expand on Vera Institute of Justice's (Vera) work over the past twenty years in providing legal support and representation to immigrants facing deportation through the development, coordination, and management of national networks of legal services providers serving immigrants across the country. Acacia's goals are two-fold: to support immigrant legal services and defense networks to provide exceptional legal services to immigrants and to advocate for the expansion of these programs and the infrastructure critical to guaranteeing immigrants access to justice, fairness, and freedom.

As part of the formation, Acacia stipulated in their bylaws that CAIR Coalition has the power to elect Acacia's Board of Directors. Accordingly, CAIR Coalition is considered to be the sole member with controlling and economic interest in Acacia, and consolidated financial statements for the year ended December 31, 2022, have been presented.

The programs of CAIR Coalition fall into the following three areas:

Legal: CAIR Coalition conducts legal rights presentations at detention centers in various states, providing advice and assistance to individuals detained by the Department of Homeland Security (DHS). When possible, CAIR Coalition secures free legal counsel for immigration detainees, either in-house or with a partner law firm or law school legal clinic. CAIR Coalition also provides legal assistance to unaccompanied immigrant children in the custody of the Office of Refugee Resettlement who are being detained at juvenile facilities in Virginia and Maryland. In addition, CAIR Coalition assists detained asylum seekers during their Credible Fear Interviews or Reasonable Fear Interviews and tries to secure legal counsel for their Immigration Court proceedings. CAIR Coalition also engages in impact litigation to challenge barriers to asylum, minimize the immigration consequences of criminal convictions, and protect due process rights for detained children and adults.

Additionally, CAIR Coalition sponsors and conducts workshops to train pro bono lawyers, public defenders, and advocates throughout the year, and mentors attorneys who are providing pro bono legal representation. CAIR Coalition also provides "Know Your Rights" trainings for the immigrant community.

Outreach and Advocacy: CAIR Coalition staff and members regularly meet with DHS offices including the Arlington Asylum Office, the Washington District Office of U.S. Citizenship and Immigration Services, the Washington Field Office of Immigration and Customs Enforcement, and the Executive

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization (Continued)

Office for Immigration Review to advocate on behalf of individual clients as well as recommend changes in immigration policies and procedures that will help to ensure the fair treatment of the immigrant populations served by CAIR Coalition members.

The programs of Acacia fall into the following two areas:

Legal Access & Orientation Programs deliver legal orientations and self-help workshops about immigration court procedures to adults, adult caregivers of children, and families in DHS custody and in removal proceedings to help them better understand what to expect in court. These programs are comprised of:

- Legal Orientation Program (LOP) delivers legal orientations and self-help workshops about immigration court procedures to adult individuals in DHS custody to help them prepare to represent themselves in immigration court.
- Legal Orientation Program for Custodians of Unaccompanied Children (LOPC) provides legal orientation presentations to adult caregivers (custodians/sponsors) of non-detained unaccompanied children in EOIR removal proceedings.
- Immigration Court Helpdesk (ICH) delivers legal orientations and self-help workshops to non-detained individuals in removal proceedings to help them better understand what to expect in immigration court and prepare to represent themselves.
- Family Group Legal Orientation Program (FGLOP) provides legal orientation presentations and self-help workshops to family groups in removal proceedings to help them better understand what to expect in court and prepare to represent themselves.

Legal Representation Programs provide legal counsel to adults and children in various contexts. These programs are comprised of:

- National Qualified Representative Program (NQRP) provides qualified representatives (attorneys and others accredited to provide legal defense) in immigration court to unrepresented detained adults who are found by an Immigration Judge or The Board of Immigration Appeals to be mentally incompetent to represent themselves in immigration proceedings.
- Children's Counsel Initiative (CCI) provides legal representation to children who are in immigration proceedings in designated immigration court locations.
- Unaccompanied Children Program (UCP) provides know your rights presentations and legal screenings to all children in ORR custody, as well as representation to children in and released from ORR custody.
- Litigation Support Fund (LSF) provides a source of funding to support the legal cases of unaccompanied children who are placed in facilities and locations outside of the existing network of legal service providers and to challenge custody determinations and other strategic litigation advocacy.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Principles of Consolidation

The consolidated financial statements include the accounts of CAIR Coalition and Acacia, collectively, the Organization. Intercompany balances and transactions have been eliminated in consolidation.

Income Taxes

Both CAIR Coalition and Acacia are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, both have been determined by the Internal Revenue Service not to be private foundations within the meaning of Section 509(a) of the Code.

The Organization requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its consolidated financial statements include, or reflect, any uncertain tax positions.

CAIR Coalition's and Acacia's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after filing.

Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid investments which have an initial maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are considered to be fully collectible by management and, accordingly, no allowance for doubtful accounts is considered necessary.

Accounts Receivable

Accounts receivable consists of amounts due for services. Accounts receivable are charged to bad debt expense as they are deemed uncollectible. At December 31, 2022, management believes all accounts receivable are collectible. Therefore, no reserve for bad debt expense has been recorded. The balance of accounts receivable as of December 31, 2021, was approximately \$970,000.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment is stated at cost, if purchased, or fair market value at date of donation, if contributed. The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated lives of the related assets or the remaining lease term and is limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise. Expenditures for maintenance and repairs are charged to expense as incurred.

Operating Right-of-Use Assets and Lease Liabilities

The determination of whether an arrangement is a lease is made at the lease's inception. Under the Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, a contract is (or contains) a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is defined under the standard as having both the right to obtain substantially all of the economic benefits from use of the asset and the right to direct the use of the asset. Management only reassesses its determination if the terms and conditions of the contract are changed.

Operating lease liabilities are initially measured at the present value of minimum lease payments using a risk-free discount rate that approximates the remaining term of the lease. The operating right-of-use assets are the operating lease liabilities adjusted for other lease-related accounts. Management considers the likelihood of exercising renewal or termination clauses (if any) in measuring the Organization's operating right-of-use assets and operating lease liabilities. Operating lease expense is allocated over the remaining lease term on a straight-line basis.

The Organization considers leases with initial terms of twelve months or less, and no option to purchase the underlying asset, to be short-term leases. Accordingly, short-term lease costs are expensed over the remaining lease term, with no corresponding right-of-use asset or lease liability. In addition, the Organization does not separate non-lease components from lease components (if any) when determining the payments for leases.

Grants and Contributions

The Organization reports unconditional gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Donor restricted contributions for which the conditions and restrictions are met in the year received are considered unconditional and without donor restrictions for consolidated financial statement purposes.

Conditional grants and contributions are reported as refundable advances until the conditions have been substantially met or explicitly waived by the donor. Revenue is recognized on the date the condition is met.

CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract Revenue

Contract revenue includes immigration legal services provided by the Organization under fixed-price and time and materials contracts. Fixed-price contracts are recognized ratably over the contract period, as services are provided. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Time and materials contracts are recognized over time as incurred, which is representative of the services provided. The transaction price associated with time and materials contracts is based on fixed hourly rates charged to the customer and may vary depending on the actual time expended by the Organization and other direct costs, such as travel expenses incurred. Contract activities and expenditures are subject to audit and acceptance by the funding agency and, as a result of such audit, adjustments could be required. However, management does not anticipate any material adjustments.

Deferred Revenue

Deferred revenue represents the amount received on a fixed price contract in advance of completion of the services. The balance of deferred revenue as of December 31, 2021, was approximately \$8,000. The full amount was recognized as income during the year ended December 31, 2022.

Classification of Net Assets

The consolidated financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Functional Expense Allocation

Certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, fringe benefits, payroll taxes, and general expenses, which are allocated on the basis of estimates of time and effort by employees. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Use of Estimates

The preparation of consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

2. ADOPTION OF ACCOUNTING STANDARDS UPDATES

Accounting Standard Update 2016-02

During the year ended December 31, 2022, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2016-02, *Leases (Topic 842)*, which supersedes the leasing guidance in *Topic 840*. The Organization also adopted the following ASUs, which amend and clarify *Leases (Topic 842)*: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new lease guidance is the requirement to recognize right-of-use assets and lease liabilities for operating leases on the consolidated statement of financial position.

The Organization adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022, as the initial date of application. Management has elected to apply all practical expedients available under the new guidance.

The most significant impact was the recognition of operating right-of-use assets and operating lease liabilities for all leases with terms greater than twelve months. Accordingly, operating right-of-use assets and operating lease liabilities totaling approximately \$4,269,000 and \$5,089,000, respectively, were recognized as of January 1, 2022. Existing deferred rent and lease incentive of approximately \$820,000 as of January 1, 2022, is included as a reduction to the initial measurement of the operating right-of-use assets.

Accounting Standard Update 2020-07

During the year ended December 31, 2022, the Organization adopted the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This guidance is intended to

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

2. ADOPTION OF ACCOUNTING STANDARDS UPDATES (CONTINUED)

Accounting Standard Update 2020-07 (Continued)

increase transparency of contributed nonfinancial assets for nonprofits through enhancements to presentation and disclosure. Specifically, the ASU addresses the lack of transparency surrounding the measurement of contributed nonfinancial assets, as well as the amount of those contributions used in programs and other activities. Management believes that the adoption of this ASU enhances the transparency of financial information among nonprofit entities. The change in accounting principle was applied on a retrospective basis. The impact of adoption was not material to the consolidated financial statements, however, the presentation and disclosure of contributed nonfinancial assets has been enhanced.

3. LIQUIDITY AND AVAILABLE RESOURCES

The Organization manages its liquidity to meet general expenditures, liabilities, and other obligations as they come due. To meet unanticipated or seasonal needs, the Organization has a line of credit with a bank which matures January 16, 2024, for \$260,000. Interest is charged at the Wall Street Journal Prime Rate plus 2.65%, secured by the Organization's assets. There was no activity in the line of credit during the year ended December 31, 2022.

The following reflects the Organization's financial assets as of December 31, 2022, reduced by amounts not available for general operating expenditure within one year:

Financial Assets

Cash and Cash Equivalents	\$ 9,696,800
Grants and Contributions Receivable	328,033
Accounts Receivable	12,400,422
Less Amounts Restricted by Donors for Purpose	<u>(286,133)</u>
Total Financial Assets Available to Meet Cash	
Needs for General Expenditures within One Year	22,139,122

Other Liquidity Resources

Available Line of Credit	<u>260,000</u>
Total Financial Assets and Liquidity Resources Available to	
Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 22,399,122</u></u>

4. TAX SHELTERED ANNUITY PLAN

CAIR Coalition has a salary reduction plan (the Plan) under Section 403(b) of the Internal Revenue Code. The Plan covers substantially all full-time employees who have completed one year of employment and at least 1,000 hours of service. The Board of Directors determines a discretionary employee matching contribution for each plan year. The discretionary matching contribution was approximately \$32,000 for the year ended December 31, 2022.

Acacia sponsors a 403(b) plan (the 403B Plan) for its employees. The 403B Plan covers substantially all full-time employees who have completed one month of service. For the year ended December 31, 2022, Acacia contributed approximately \$151,000 to the 403B Plan.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

5. DONATED SERVICES

The Organization received donated services for legal services and related expenses during the year ended December 31, 2022. The value of donated services are based on current market rates for similar services. The Organization's policy related to donated services is to utilize the services given to carry out the mission of the Organization. All donated services received by the Organization for the year ended December 31, 2022, were considered without donor restrictions and able to be used by the Organization as determined by the Board of Directors and management.

6. CONCENTRATIONS

As of December 31, 2022, approximately 99% of accounts receivable was due from two funding sources. Two funding sources accounted for 96% of the contract revenue for the year ended December 31, 2022. One donor accounted for 62% of grants and contributions revenue for the year ended December 31, 2022.

The Organization maintains cash balances at financial institutions in the Washington, D.C., metropolitan area. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At times during the year, the Organization's cash balances exceeded the FDIC insurance amounts. Management believes the risk in these situations to be minimal.

7. OFFICE AND EQUIPMENT OPERATING LEASES

The Organization has two non-cancelable operating lease agreements for office space in Washington, D.C. and Baltimore, Maryland, expiring at various times through October 2032. The Organization also has operating lease agreements for office equipment that expire at various times through June 2027. Under accounting principles generally accepted in the United States of America (GAAP), operating lease expense related to the lease agreements is recognized on a straight-line basis over the remaining lease terms. In addition, the Organization had no variable or short-term lease expense in 2022.

Under the terms of the Washington, D.C. lease, the base rent increases annually based on scheduled increases of 3.5% to 4.0%. The lessor will provide several months of free rent and the Organization is responsible for its share of increases in real estate taxes and operating expenses. In addition, the lessor provided lease incentives totaling approximately \$750,000. The lease does not contain an option to extend the lease term or terminate early.

Under the terms of the Baltimore, Maryland lease, the base rent increases annually based on scheduled increases of approximately 2.75%. In 2026, the Organization has the option to extend the lease for one five-year term at market rates. The Organization was not reasonably certain to exercise the option to extend the lease term at the initial date of application of *Leases (Topic 842)*, and the option has not been included in the measurement of the operating right-of-use asset or lease liability.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

7. OFFICE AND EQUIPMENT OPERATING LEASES (CONTINUED)

Maturities of the operating lease liabilities and balances of the right-of-use assets as of December 31, 2022, are as follows:

For the Years Ending December 31,	DC Office	MD Office	Copier	Computers	Total
2023	\$ 385,092	\$ 78,492	\$ 19,207	\$ 88,214	\$ 571,005
2024	401,203	80,623	9,684	83,310	574,820
2025	417,879	82,754	9,194	29,669	539,496
2026	510,900	13,853	6,134	-	530,887
2027	529,197	-	3,591	-	532,788
Thereafter	2,869,466	-	-	-	2,869,466
Total Undiscounted Minimum Lease Payments	5,113,737	255,722	47,810	201,193	5,618,462
Less Discount to Present Value	(420,139)	(5,393)	(2,355)	(6,603)	(434,490)
Total Operating Lease Liabilities	<u>\$ 4,693,598</u>	<u>\$ 250,329</u>	<u>\$ 45,455</u>	<u>\$ 194,590</u>	<u>\$ 5,183,972</u>
Operating Right-of-Use Assets	<u>\$ 3,553,465</u>	<u>\$ 243,690</u>	<u>\$ 45,779</u>	<u>\$ 194,590</u>	<u>\$ 4,037,524</u>

The supplementary qualitative operating lease information is as follows:

Supplementary Qualitative Operating Lease Information	Amount
Weighted-Average Remaining Lease Term (Years)	9.2
Weighted-Average Discount Rate (Risk-Free)	1.67%

8. CONDITIONAL GRANTS AND CONTRIBUTIONS

The Organization has received conditional grants and contributions as of December 31, 2022, totaling approximately \$3,166,000. The conditional amounts have not been recorded as grants and contributions revenue, as the required criteria under generally accepted accounting principles have not been met as of December 31, 2022, and any funds received, in advance, have been included in refundable advances on the consolidated statement of financial position. The barriers which must be met for revenue recognition are as follows:

Barrier	Amount
Incur Certain Costs Associated with Legal Representation of Detained Immigrants	\$ 1,463,277
Incur Certain Costs Related to UCP Litigation Support	1,662,000
Fellowship Employment Requirement	40,730
Total	<u>\$ 3,166,007</u>

9. ACCRUED LOSS ON UNCOMPLETED CONTRACT

With the formation of Acacia, Vera and Acacia entered into a separate fixed price contract whereby Acacia would assume 649 legacy NQRP Nationwide Policy (NP) and Counsel for Children (CC) cases for a fixed fee of approximately \$2,650,000. Acacia estimates the total cost to service these legacy cases to be approximately \$3,167,000. The estimated costs are calculated based on multiplying projected number of months each case is being actively billed to Acacia, projected using historical averages and the statistical spread of NP case closures under the legacy NP program, by monthly cost ratio per assigned legal service provider's present-day average expenditures. Data

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2022**

9. ACCRUED LOSS ON UNCOMPLETED CONTRACT (CONTINUED)

for the CC cases is limited, therefore the data from the NP cases has been applied to the CC cases as well. Based on the estimated total costs, Acacia will incur an estimated loss on the contract of approximately \$517,000. The loss was recorded for the year ended December 31, 2022, resulting in an accrued loss on uncompleted contract of \$249,560 as of December 31, 2022.

10. SUBSEQUENT EVENTS

Independence Agreement

Effective August 7, 2023, CAIR Coalition and Acacia entered into an independence agreement which set forth the understandings between CAIR Coalition and Acacia regarding Acacia's ultimate independence from CAIR Coalition as well as the continuing relationship between the entities. The Independence Date shall be the date on or before the date on which each of the following have occurred: (1) CAIR Coalition has withdrawn as the sole member of Acacia, (2) Acacia has converted into a non-membership nonprofit corporation, and (3) Acacia's bylaws and, if required, certificate of incorporation, have been revised to reflect such actions. Acacia and CAIR Coalition shall each exercise commercially reasonable efforts to ensure that the Independence Date occurs no later than December 31, 2023.

Line of Credit

On July 14, 2023, Acacia entered a variable rate revolving line of credit with a bank to provide funding for working capital. The available line of credit is \$1,500,000 and is due on July 1, 2024. Interest is due monthly and accrues at .25% points above the Prime Rate in the Wall Street Journal. The loan is secured by substantially all the assets of Acacia. In addition, the loan is guaranteed by Vera.

Subsequent events were evaluated through October 23, 2023, which is the date the consolidated financial statements were available to be issued.

Independent Auditor's Report on Consolidating Information

Board of Directors
Capital Area Immigrants' Rights Coalition and
Acacia Center for Justice
Washington, D.C.

We have audited the accompanying consolidated financial statements of Capital Area Immigrants' Rights Coalition (CAIR Coalition) and Acacia Center for Justice (Acacia), (collectively referred to as the Organization), as of and for the year ended December 31, 2022, and our report thereon dated October 23, 2023, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 3-4. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual organizations, and are not required parts of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
October 23, 2023

Certified Public Accountants

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022**

	<u>CAIR Coalition</u>	<u>Acacia</u>	<u>Eliminations</u>	<u>Total</u>
Assets				
Current Assets				
Cash and Cash Equivalents	\$ 3,462,712	\$ 6,234,088	\$ -	\$ 9,696,800
Grants and Contributions Receivable	328,033	-	-	328,033
Accounts Receivable	1,693,404	10,758,767	(51,749)	12,400,422
Prepaid Expenses	125,686	89,105	-	214,791
Total Current Assets	5,609,835	17,081,960	(51,749)	22,640,046
Property and Equipment				
Office Equipment	102,390	-	-	102,390
Furniture and Fixtures	2,140	-	-	2,140
Leasehold Improvements	741,456	-	-	741,456
Website	17,875	-	-	17,875
Software	8,147	-	-	8,147
	872,008	-	-	872,008
Less Accumulated Depreciation and Amortization	(209,381)	-	-	(209,381)
Net Property and Equipment	662,627	-	-	662,627
Operating Right-of-Use Assets	4,037,524	-	-	4,037,524
Deposits	78,716	-	-	78,716
Total Assets	<u>\$ 10,388,702</u>	<u>\$ 17,081,960</u>	<u>\$ (51,749)</u>	<u>\$ 27,418,913</u>
Liabilities and Net Assets				
Current Liabilities				
Accounts Payable	\$ 69,705	\$ 10,087,197	\$ (51,749)	\$ 10,105,153
Accrued Payroll and Vacation	545,548	578,066	-	1,123,614
Refundable Advances	500,257	1,661,665	-	2,161,922
Deferred Revenue	21,814	1,278,298	-	1,300,112
Accrued Loss on Uncompleted Contract	-	249,560	-	249,560
Operating Lease Liabilities	489,520	-	-	489,520
Total Current Liabilities	1,626,844	13,854,786	(51,749)	15,429,881
Operating Lease Liabilities, Net of Current Portion	4,694,452	-	-	4,694,452
Total Liabilities	6,321,296	13,854,786	(51,749)	20,124,333
Net Assets				
Net Assets Without Donor Restrictions	3,723,240	3,227,174	-	6,950,414
Net Assets With Donor Restrictions				
Impact Lab	60,202	-	-	60,202
Detained Children's Program	53,900	-	-	53,900
General Legal Advocacy	172,031	-	-	172,031
Time Restricted	58,033	-	-	58,033
	344,166	-	-	344,166
Total Net Assets	4,067,406	3,227,174	-	7,294,580
Total Liabilities and Net Assets	<u>\$ 10,388,702</u>	<u>\$ 17,081,960</u>	<u>\$ (51,749)</u>	<u>\$ 27,418,913</u>

See Independent Auditor's Report on Consolidating Information.

**CAPITAL AREA IMMIGRANTS' RIGHTS COALITION
AND ACACIA CENTER FOR JUSTICE**

**CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	CAIR Coalition	Acacia	Eliminations	Total
Revenue				
Grants and Contributions	\$ 3,569,013	\$ 1,638,585	\$ -	\$ 5,207,598
Contract Revenue	6,281,384	20,838,245	(592,489)	26,527,140
Donated Services	12,215,696	-	-	12,215,696
Other Revenue	63,174	20	(51,749)	11,445
Net Assets Released from Restrictions				
Impact Lab	122,180	-	-	122,180
Legal Advocacy in Virginia	2,604	-	-	2,604
Detained Children's Program	21,981	-	-	21,981
General Legal Advocacy	337,309	-	-	337,309
Time Restricted	90,000	-	-	90,000
Total Revenue Without Donor Restrictions	22,703,341	22,476,850	(644,238)	44,535,953
Expenses				
Program Services				
Legal	19,350,446	-	-	19,350,446
Legal Access and Orientation	-	9,285,552	(319,307)	8,966,245
Legal Representation	-	7,053,854	(273,182)	6,780,672
Total Program Services	19,350,446	16,339,406	(592,489)	35,097,363
Supporting Services				
Fundraising	457,890	-	-	457,890
General and Administration	1,212,943	2,910,270	(51,749)	4,071,464
Total Supporting Services	1,670,833	2,910,270	(51,749)	4,529,354
Total Expenses	21,021,279	19,249,676	(644,238)	39,626,717
Change in Net Assets				
Without Donor Restrictions	1,682,062	3,227,174	-	4,909,236
With Donor Restrictions				
Grants and Contributions	245,331	-	-	245,331
Net Assets Released from Restrictions				
Impact Lab	(122,180)	-	-	(122,180)
Legal Advocacy in Virginia	(2,604)	-	-	(2,604)
Detained Children's Program	(21,981)	-	-	(21,981)
General Legal Advocacy	(337,309)	-	-	(337,309)
Time Restricted	(90,000)	-	-	(90,000)
Total Revenue With Donor Restrictions	(328,743)	-	-	(328,743)
Change in Net Assets	1,353,319	3,227,174	-	4,580,493
Net Assets, Beginning of Year	2,714,087	-	-	2,714,087
Net Assets, End of Year	<u>\$ 4,067,406</u>	<u>\$ 3,227,174</u>	<u>\$ -</u>	<u>\$ 7,294,580</u>

See Independent Auditor's Report on Consolidating Information.