

**INTERNATIONAL REFUGEE ASSISTANCE
PROJECT, INC.**

FINANCIAL STATEMENTS

FOR THE PERIOD NOVEMBER 1, 2018 TO AUGUST 31, 2019

AND

INDEPENDENT AUDITORS' REPORT

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

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INDEPENDENT AUDITORS' REPORT

To Board of Directors
International Refugee Assistance Project, Inc.

We have audited the accompanying financial statements of International Refugee Assistance Project, Inc. ("IRAP" or the "Organization"), which comprise the statement of financial position as of August 31, 2019, and the related statements of activities, functional expenses and cash flows for the period November 1, 2018 to August 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

(Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2019, and the changes in its net assets and its cash flows for the period November 1, 2018 to August 31, 2019 in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Freedman LLP". The signature is written in a cursive, flowing style.

May 4, 2020

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2019

ASSETS

Cash and cash equivalents	\$ 10,005,818
Contributions receivable, net	2,860,535
Other assets	48,981
Property and equipment, net	120,420
Total assets	\$ 13,035,754

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 591,595
Deferred rent	31,025
Total liabilities	622,620

Net assets

Without donor restrictions	8,409,612
With donor restrictions	4,003,522
Total net assets	12,413,134
Total liabilities and net assets	\$ 13,035,754

See notes to financial statements.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

STATEMENT OF ACTIVITIES

FOR THE PERIOD NOVEMBER 1, 2018 TO AUGUST 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenues			
Contributions	\$ 10,507,318	\$ 1,117,500	\$ 11,624,818
Special event			
Revenues from special event	\$ 1,547,674		
Less - direct benefit to donors	<u>(134,994)</u>		
Net special events revenue	1,412,680	-	1,412,680
Interest and dividend income	80,888	-	80,888
Other income	4,121	-	4,121
Total support and revenues	12,005,007	1,117,500	13,122,507
Expenses			
Program services	4,874,979	-	4,874,979
Supporting services	1,170,144	-	1,170,144
Total expenses	6,045,123	-	6,045,123
Change in net assets	5,959,884	1,117,500	7,077,384
Contribution of net assets	2,449,728	2,886,022	5,335,750
Net assets, end of year	\$ 8,409,612	\$ 4,003,522	\$ 12,413,134

See notes to financial statements.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE PERIOD NOVEMBER 1, 2018 TO AUGUST 31, 2019

	Program Expenses					Supporting Services			
	Communications	Legal Services	Litigation	Policy	Total Program	Management and General	Fundraising	Total Supporting	Total Expenses
Personnel costs									
Salaries	\$ 163,591	\$ 1,818,424	\$ 637,288	\$ 258,204	\$ 2,877,507	\$ 112,639	\$ 324,947	\$ 437,586	\$ 3,315,093
Payroll taxes and benefits	60,184	499,656	158,519	73,548	791,907	28,065	87,726	115,791	907,698
Total personnel costs	223,775	2,318,080	795,807	331,752	3,669,414	140,704	412,673	553,377	4,222,791
Depreciation	475	5,267	1,803	759	8,304	285	902	1,187	9,491
Insurance	3,672	40,746	13,949	5,873	64,240	2,203	6,975	9,178	73,418
Occupancy	16,789	186,352	63,796	26,862	293,799	10,073	31,898	41,971	335,770
Advertising and marketing	28	2,136	1,611	110	3,885	4,407	2,195	6,602	10,487
Bank and processing fees	-	4,165	-	-	4,165	8,548	34,345	42,893	47,058
Client assistance	-	13,097	68	31	13,196	76	-	76	13,272
Materials, supplies and equipment	2,557	44,456	12,516	4,846	64,375	1,441	5,061	6,502	70,877
Memberships and subscriptions	3,292	13,567	9,022	9,787	35,668	27,079	27,025	54,104	89,772
Professional development	159	19,421	7,001	612	27,193	544	200	744	27,937
Telecommunications	768	17,865	2,577	214	21,424	20,263	303	20,566	41,990
Travel and meals	310	144,511	58,450	14,585	217,856	102,638	20,036	122,674	340,530
Accounting	-	2,345	-	-	2,345	132,420	-	132,420	134,765
Communications and design	29,426	12,895	4,350	-	46,671	1,975	4,667	6,642	53,313
Consultant	-	-	-	-	-	-	102,486	102,486	102,486
Interpretation	-	99,796	1,174	-	100,970	-	-	-	100,970
Contracted legal services	-	62,858	63,445	-	126,303	-	-	-	126,303
Sponsorship and office move	4,160	10,102	23,857	5,370	43,489	20,034	6,784	26,818	70,307
Recruiting and organization development	1,262	102,142	4,702	2,030	110,136	3,767	385	4,152	114,288
Miscellaneous	-	21,265	281	-	21,546	37,551	201	37,752	59,298
Total other expenses	62,898	802,986	268,602	71,079	1,205,565	373,304	243,463	616,767	1,822,332
Total expenses	\$ 286,673	\$ 3,121,066	\$ 1,064,409	\$ 402,831	\$ 4,874,979	\$ 514,008	\$ 656,136	\$ 1,170,144	\$ 6,045,123

See notes to financial statements.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

STATEMENT OF CASH FLOWS

FOR THE PERIOD NOVEMBER 1, 2018 TO AUGUST 31, 2019

Cash flows from operating activities	
Change in net assets	\$ 7,077,384
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation	9,490
Changes in assets and liabilities	
Contributions receivable	(2,860,535)
Other assets	(48,981)
Accounts payable and accrued expenses	591,595
Deferred rent	31,025
<hr/>	
Net cash provided by operating activities	4,799,978
Cash flows from investing activities	
Purchase of property and equipment	(129,910)
Cash flows from financing activities	
Contribution of net assets	5,335,750
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Net increase in cash	10,005,818
Cash and cash equivalents, beginning of year	-
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Cash and cash equivalents, end of year	\$ 10,005,818
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See notes to financial statements.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

1 - NATURE OF ORGANIZATION

The International Refugee Assistance Project, Inc. (“IRAP” or the “Organization”) organizes law students and lawyers to develop and enforce a set of legal and human rights for refugees and displaced persons. Mobilizing direct legal aid, litigation, and systemic advocacy, IRAP serves the world’s most persecuted individuals and empowers the next generation of human rights leaders.

IRAP’s innovative model mobilizes legal resources to advocate for people fleeing from war, hostility, and political upheaval around the world. In addition to legal, litigation, and policy work spearheaded from IRAP’s headquarters in New York, IRAP provides refugees with critical, on-the-ground assistance through field offices in Lebanon and Jordan. As the only organization to provide refugees with comprehensive legal representation through every step of the process, IRAP is further distinguished in its ability to utilize the insights gained from direct client representation to advocate for systemic changes (through litigation and policy advocacy) that benefit refugee populations across the globe and ensure their rights are upheld.

IRAP believes that everyone should have a safe place to live and a safe way to get there. IRAP’s approach is grounded in three distinct but interrelated strategies:

IRAP has created a virtual public interest law firm—a firm that is not impeded by geographical boundaries and uses technological solutions to deliver free high-quality legal aid to at-risk refugees and displaced people, leveraging a volunteer network of over 2,000 law students and pro bono attorneys.

Through impact litigation and systemic advocacy, IRAP brings legal challenges to refugee rights violations in the courts, creates solutions to overcoming the legal and bureaucratic impediments in the resettlement process, and develops an enforceable system of legal and procedural rights for refugees and displaced people worldwide.

By offering service-learning opportunities through IRAP’s legal aid model, IRAP trains the next generation of human rights leaders. IRAP educates and mentors law school students on legal issues affecting refugees, provides them with vital hands-on experience, and empowers them to advocate for the human rights of vulnerable populations.

IRAP was incorporated in New York in 2017. IRAP was originally the Iraqi Refugee Assistance Project and was founded as a student organization at Yale Law School in 2008. IRAP later became a project of the Urban Justice Center (UJC.) IRAP officially separated from UJC on December 23, 2018 and agreed upon separating funds held by UJC raised by or on behalf of IRAP as of 10/31/18. Upon separation, UJC made a contribution to IRAP of \$5,335,750 in cash and \$1,000,000 in contributions receivable, of which \$2,449,728 is included in net assets without donor restrictions, \$2,886,022 is included in net assets with donor restrictions and \$1,000,000 is included in contribution revenue with donor restrictions as of August 31, 2019.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

1 - NATURE OF ORGANIZATION (Continued)

The net assets without donor restrictions opening balance reflects an initial transfer prior to commencing operations from UJC from the accumulated net asset balance to obtain a line of credit to satisfy the contractual obligation of the new office space lease.

IRAP's major source of revenue is contributions from the public.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis of Presentation

The financial statement presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 958, "Not-for-Profit Entities," as amended by Accounting Standards Update ("ASU") No. 2016-14, "Presentation of Financial Statements of Not-for-Profit Entities". From its inception the Organization adopted ASU 2016-14 for the period ended August 31, 2019.

Under FASB ASC 958, as amended, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions. Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions, which either expire by the passage of time or when used for specified purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. Contributions with donor restrictions received and expended in the same fiscal year are included as revenues without donor restrictions.

Other major reporting requirements resulting from ASU 2016-14 include (a) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (b) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (c) presenting investment return net of external and direct internal investment expenses, and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and corresponding state provisions.

Cash and Cash Equivalents

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. At times, these balances may exceed federally insured limits and this potentially subjects the Organization to a concentration of credit risk. For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable are recorded at net realizable value if expected to be collected in one year and, if material, multiyear receivables are recorded at the present value of their estimated future cash flow using an interest rate commensurate with the risk involved. If applicable, amortization of the discount is included in contribution revenue. The allowance for uncollectible contributions receivable is determined based on management’s evaluation of the collectability of individual promises. There were no significant contributions that management deemed to be uncollectible as of August 31, 2019.

Property and Equipment

Property and equipment are stated at cost if purchased, or if acquired in-kind, at their fair market value at the date of the gift. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method:

Furniture and fixtures	7 years
Computers and equipment	3-5 years

Contribution Revenue

Contributions, including unconditional promises to give and donated securities, are recognized when received.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing programs and supporting services have been summarized on a functional basis in the statement of activities. Some costs are directly charged to each service area as they are clearly identified as program services or supporting services. Indirect costs are allocated to the different programs and supporting service areas benefited based on annual employee time allocations and full time equivalent that have been calculated and reviewed by management. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries & Benefits	Based on time and effort
Occupancy	Based on personnel location/department
Insurance	Based on personnel location/department

Evaluation of Subsequent Events

Management has evaluated subsequent events for inclusion or disclosure in the financial statements from August 31, 2019 through May 4, 2020, which is the date the financial statements were available for issuance. See Note 9.

3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position sheet date, comprise the following:

Cash and cash equivalents	\$ 10,005,818
Contributions receivable	2,860,535
<u>Total financial assets as of August 31, 2019</u>	<u>12,866,353</u>
Less - Amounts due in one to five years	774,211
<u>Financial assets available to meet cash needs for general expenditures within one year</u>	<u>\$ 12,092,142</u>

As part of the IRAP's liquidity management, it has the goal of having assets on hand to meet twelve months of normal operating expenses, which are, on average, around \$770,000 per month. This goal is not a required minimum and spending of this reserve is made at Management's discretion. As part of its liquidity management, IRAP has a policy to structure its financial assets to be available as general expenditures, liabilities and other obligations become due.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

4 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

Amount due in less than one year	\$ 2,086,324
Amount due from one to five years	800,000
	<hr/> 2,886,324
Discount on multi-year contributions receivable, at 3.331%	(25,789)
Contributions receivable, net	<hr/> <u>\$ 2,860,535</u>

During the period ended August 31, 2019, approximately 87% of the Organization's contributions receivable were from three donors.

5 - PROPERTY AND EQUIPMENT

Property and equipment as of August 31, 2019 consists of the following:

Furniture and fixtures	\$ 56,617
Computers and equipment	73,293
	<hr/> 129,910
Less - Accumulated depreciation	(9,490)
	<hr/> <u>\$ 120,420</u>

Depreciation expense was \$9,490 for the period ended August 31, 2019 and is presented in the statement of functional expenses.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

6 - NET ASSETS WITH DONOR RESTRICTIONS

The following summarizes the changes in net assets with donor restrictions and the purposes:

Program	Fiscal 2019			
	Balance, September 1, 2018	Contributions	Released from Restrictions	Balance, August 30, 2019
Subject to expenditure for specified purpose:				
Supervising Attorney Salary	\$ -	\$ 123,222	\$ -	\$ 123,222
Fellowship Stipends		117,500		117,500
Subject to passage of time:				
Program services	-	3,762,800	-	3,762,800
Total net assets with donor restrictions	\$ -0-	\$ 4,003,522	\$ -0-	\$ 4,003,522

7 - COMMITMENTS

Leases

The Organization leases office space in Manhattan, New York under a non-cancelable operating lease set to expire August 31, 2029. The Organization is entitled to a conditional rent holiday and does not have to pay rent for the first month of each year, for the first six years of the lease. In lieu of a security deposit for the New York office lease, the Organization was required to provide the landlord with a standby letter of credit issued by a bank in the amount of \$252,105.

Additionally, prior to moving into the office space mentioned above, the Organization leased and operated out of space within UJC's office. The Organization paid UJC \$70,000 for January and February of 2019.

The Organization leases office space in Jordan and Lebanon. The original Jordan lease expired July 2019 and was extended until January 31, 2020. The Lebanon space consists of three separate leases for the first, third and sixth floors in the same building. Two of the three leases expire January 31, 2021 and July 19, 2020. The third expired September 30, 2019.

INTERNATIONAL REFUGEE ASSISTANCE PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS

7 - COMMITMENTS (Continued)

Lease (Continued)

Future minimum rental payments over the base term of all leases are approximately as follows:

Year Ending August 31,	
2020	\$ 494,000
2021	401,000
2022	346,000
2023	346,000
2024	359,000
Thereafter	2,037,000
	<u>\$ 3,983,000</u>

Occupancy expense, including utilities of \$13,625 was approximately \$336,000 for the period ended August 31, 2019.

Rent expense is recognized on a straight-line basis over the term of the lease. The difference between rental payments made under these leases and rent expense calculated on a straight-line basis is recorded as deferred rent payable and is reflected in the accompanying statement of financial position.

8 - EMPLOYEE BENEFITS

Retirement Plan

Effective February 1, 2019, the Organization provides access to Regular and Roth 401(k) retirement plans for eligible employees. The Organization provides a matching contribution equal to 100% of an eligible employee's deferral contributions which do not exceed 3% of the employee's compensation, plus 50% of an eligible employee's deferral contributions which exceed 3% but do not exceed 5% of the employee's compensation. The Organization made safe harbor match contributions to the Regular and Roth 401(k) of \$33,361 and \$11,992, respectively.

9 - SUBSEQUENT EVENTS

The spread of a novel strain of coronavirus (COVID-19) around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the Organization is unable to determine if it will have a material impact to its operations.