

**International Refugee Assistance
Project, Inc.**

Financial Statements

August 31, 2020

Independent Auditors' Report

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, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of International Refugee Assistance Project, Inc. as of August 31, 2020, 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.

PKF O'Connor Davies, LLP

March 10, 2021

International Refugee Assistance Project, Inc.

Statement of Financial Position
August 31, 2020

ASSETS

| | |
|-------------------------------|----------------------|
| Cash | \$ 12,621,828 |
| Contributions receivable, net | 2,289,016 |
| Investments | 5,001,842 |
| Other assets | 176,371 |
| Property and equipment, net | <u>212,577</u> |
| | <u>\$ 20,301,634</u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|----------------------|
| Liabilities | |
| Accounts payable and accrued expenses | \$ 699,679 |
| Loan payable | 876,856 |
| Deferred rent | <u>58,284</u> |
| Total Liabilities | <u>1,634,819</u> |
| Net Assets | |
| Without donor restrictions | 11,057,004 |
| With donor restrictions | <u>7,609,811</u> |
| Total Net Assets | <u>18,666,815</u> |
| | <u>\$ 20,301,634</u> |

See notes to financial statements

International Refugee Assistance Project, Inc.

Statement of Activities
Year Ended August 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|------------------------------------------------------------------|---------------------------------------|------------------------------------|----------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 8,950,667 | \$ 6,809,811 | \$ 15,760,478 |
| In-kind donations - legal | 947,717 | - | 947,717 |
| Interest and dividend income | 123,050 | - | 123,050 |
| Net assets released from restrictions | <u>3,203,522</u> | <u>(3,203,522)</u> | <u>-</u> |
| Total Support and Revenue | <u>13,224,956</u> | <u>3,606,289</u> | <u>16,831,245</u> |
| EXPENSES | | | |
| Program services | 9,130,038 | - | 9,130,038 |
| Supporting services | <u>1,439,745</u> | <u>-</u> | <u>1,439,745</u> |
| Total Expenses | <u>10,569,783</u> | <u>-</u> | <u>10,569,783</u> |
| Change in Net Assets Before Foreign Currency Translation Loss | | | |
| Foreign currency translation loss | <u>(7,781)</u> | <u>-</u> | <u>(7,781)</u> |
| Change in Net Assets | 2,647,392 | 3,606,289 | 6,253,681 |
| NET ASSETS | | | |
| Beginning of year | <u>8,409,612</u> | <u>4,003,522</u> | <u>12,413,134</u> |
| End of year | <u>\$ 11,057,004</u> | <u>\$ 7,609,811</u> | <u>\$ 18,666,815</u> |

See notes to financial statements

International Refugee Assistance Project, Inc.

Statement of Functional Expenses
Year Ended August 31, 2020

| | Program Services | | | | Total Program Services | Supporting Services | | Total |
|----------------------------------|------------------|----------------|--------------|------------|------------------------------|---------------------------|-------------|---------------|
| | Communications | Legal Services | Litigation | Policy | | Management and General | Fundraising | |
| Salary expense | \$ 250,509 | \$ 3,380,087 | \$ 934,046 | \$ 478,743 | \$ 5,043,385 | \$ 165,430 | \$ 522,096 | \$ 5,730,911 |
| Employee benefits | 89,197 | 965,487 | 296,678 | 113,657 | 1,465,019 | 33,948 | 159,154 | 1,658,121 |
| Total Personnel Costs | 339,706 | 4,345,574 | 1,230,724 | 592,400 | 6,508,404 | 199,378 | 681,250 | 7,389,032 |
| Depreciation | 2,401 | 32,979 | 7,924 | 3,362 | 46,666 | 3,602 | 4,322 | 54,590 |
| Insurance | 2,072 | 76,860 | 16,069 | 6,338 | 101,339 | 2,288 | 4,632 | 108,259 |
| Occupancy expense | 30,677 | 332,329 | 94,840 | 36,429 | 494,275 | 20,908 | 53,402 | 568,585 |
| Bank and credit card fees | - | 6,060 | 9 | - | 6,069 | 15,691 | 20,019 | 41,779 |
| Client assistance and court fees | - | 40,148 | 7,139 | - | 47,287 | - | - | 47,287 |
| Materials and supplies | 1,451 | 47,462 | 5,188 | 1,930 | 56,031 | 618 | 1,959 | 58,608 |
| Travel and meals | 3,097 | 106,097 | 36,738 | 14,919 | 160,851 | 15,361 | 14,409 | 190,621 |
| Membership/subscriptions | 6,394 | 43,261 | 15,622 | 15,082 | 80,359 | 4,845 | 23,111 | 108,315 |
| Professional development | 1,424 | 20,887 | 3,774 | 1,082 | 27,167 | 1,114 | 4,758 | 33,039 |
| Accounting and audit | 9,928 | 53,777 | 13,237 | 9,928 | 86,870 | 145,177 | 13,237 | 245,284 |
| Design and development | 48,469 | 250 | - | - | 48,719 | 112 | 10,504 | 59,335 |
| Interpretation | 167 | 72,138 | 2,024 | 988 | 75,317 | - | - | 75,317 |
| Legal services | - | 186,100 | 7,783 | - | 193,883 | 1,440 | - | 195,323 |
| Recruiting services | 8,762 | 146,026 | 37,774 | 14,238 | 206,800 | 7,666 | 20,809 | 235,275 |
| In-kind services - legal | 37,909 | 563,892 | 161,112 | 61,601 | 824,514 | 33,170 | 90,033 | 947,717 |
| Other consultants | 50 | 24,910 | 116,204 | 750 | 141,914 | 4,086 | 38,694 | 184,694 |
| Other business expenses | 1,564 | 19,762 | 1,874 | 373 | 23,573 | 2,608 | 542 | 26,723 |
| Total Expenses | \$ 494,071 | \$ 6,118,512 | \$ 1,758,035 | \$ 759,420 | \$ 9,130,038 | \$ 458,064 | \$ 981,681 | \$ 10,569,783 |

See notes to financial statements

International Refugee Assistance Project, Inc.

Statement of Cash Flows
Year Ended August 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|-------------------------------------------------------------------------------------|------------------|
| Change in net assets | \$ 6,253,681 |
| Adjustments to reconcile change in net assets to net cash from operating activities | |
| Depreciation | 54,590 |
| Deferred rent | 27,259 |
| Change in operating assets and liabilities | |
| Contributions receivable | 571,519 |
| Other assets | (127,390) |
| Accounts payable and accrued expenses | <u>108,084</u> |
| Net Cash from Operating Activities | <u>6,887,743</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|------------------------------------|--------------------|
| Purchase of investments | (5,001,842) |
| Purchase of property and equipment | <u>(146,747)</u> |
| Net Cash from Investing Activities | <u>(5,148,589)</u> |

CASH FLOWS FROM FINANCING ACTIVITIES

| | |
|--------------------|----------------|
| Proceeds from loan | <u>876,856</u> |
|--------------------|----------------|

Change in Cash 2,616,010

CASH

| | |
|-------------------|----------------------|
| Beginning of year | <u>10,005,818</u> |
| End of year | <u>\$ 12,621,828</u> |

See notes to financial statements

International Refugee Assistance Project, Inc.

Notes to Financial Statements
August 31, 2020

1. Organization and Tax Status

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 October 31, 2018.

International Refugee Assistance Project, Inc.

Notes to Financial Statements
August 31, 2020

1. Organization and Tax Status *(continued)*

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.

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 ("U.S. GAAP").

Net Asset Presentation

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 statement 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.

Use of Estimates

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

Adoption of New Accounting Policies

On September 1, 2019, IRAP adopted ASU 2014-09, Revenue from Contracts with Customers, which provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. Adoption of this ASU had no impact on IRAP's financial statements.

International Refugee Assistance Project, Inc.

Notes to Financial Statements
August 31, 2020

2. Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Policies (continued)

Additionally, on September 1, 2019, IRAP adopted ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (“ASU 2018-08”). This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way IRAP recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. Adoption of this ASU had no impact on IRAP’s financial statements.

Credit Risk Concentration

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist primarily of contributions receivable, which are expected to be collected in the normal course of business, cash and investments. At times cash balances held at financial institutions may be in excess of federally insured limits. The Organization has not experienced any losses on its cash deposits. The investment portfolio is diversified by type of investment so that no individual investment or group of investments represents a significant concentration of market risk.

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, 2020.

Investments

The Organization considers cash in its investment portfolio, cash maintained in a sweep account and other short-term securities to be investments.

International Refugee Assistance Project, Inc.

Notes to Financial Statements
August 31, 2020

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Property and equipment are stated at cost if purchased, or if acquired in-kind, at their fair 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 |

Contributions Revenue

Contribution revenue, including promises to give and donated securities, are recognized when received.

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 and benefits | Based on time and effort |
| Occupancy | Based on personnel location/department |
| Insurance | Based on personnel location/department |

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. Periods since the initial tax filing for the year ended August 31, 2018 remain open to examination.

Evaluation of Subsequent Events by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is March 10, 2021.

International Refugee Assistance Project, Inc.

Notes to Financial Statements
August 31, 2020

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:

| | |
|-------------------------------------------------------------------------------------|----------------------|
| Financial assets: | |
| Cash | \$ 12,621,828 |
| Contributions receivable | 2,289,016 |
| Investments | <u>5,001,842</u> |
| Total Financial Assets | <u>19,912,686</u> |
| Less those unavailable for general expenditure within one year, due to: | |
| Restricted cash - standby letter of credit | (252,341) |
| Contractual or donor-imposed restricted amounts: | |
| Restricted by donor with time or purpose restrictions | <u>(7,609,811)</u> |
| | <u>(7,862,152)</u> |
| Add next year's release of donor restrictions | <u>1,814,805</u> |
| Financial Assets Available to Meet General Expenditures Over the Next Twelve Months | <u>\$ 13,865,339</u> |

As part of 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, \$900,000 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.

4. Investments

Investments as of August 31, 2020 are recorded at cost and consist of the following:

| | |
|-------------------------|---------------------|
| Cash | \$ 3,761,453 |
| Certificates of deposit | <u>1,240,389</u> |
| | <u>\$ 5,001,842</u> |

International Refugee Assistance Project, Inc.

Notes to Financial Statements
August 31, 2020

5. Contributions Receivable

Contributions receivable consisted of the following as of August 31, 2020:

| | |
|------------------------------------------------------------|----------------------------|
| Amount due in less than one year | \$ 1,814,805 |
| Amount due from one to five years | <u>500,000</u> |
| | 2,314,805 |
| Discount on multi-year contributions receivable, at 3.331% | <u>(25,789)</u> |
| Contributions Receivable, net | <u><u>\$ 2,289,016</u></u> |

During the year ended August 31, 2020, approximately 48% of the Organization's contributions were from one donor. At August 31, 2020, approximately 84% of the Organization's contributions receivable were from four donors.

6. Property and Equipment

Property and equipment as of August 31, 2020 consists of the following:

| | |
|--------------------------------|--------------------------|
| Furniture and fixtures | \$ 84,904 |
| Computers and equipment | <u>191,753</u> |
| | 276,657 |
| Less: Accumulated depreciation | <u>(64,080)</u> |
| | <u><u>\$ 212,577</u></u> |

Depreciation expense was \$54,590 for the year ended August 31, 2020 and is presented in the statement of functional expenses.

7. Loan Payable

On May 13, 2020, the Organization received a \$876,856 Paycheck Protection Program loan (the "PPP Loan") from the Small Business Administration ("SBA"). The PPP Loan matures in May 2022, has an interest rate of 1.0% per annum and no payments are due until March 2021. If certain defined conditions are met, the PPP Loan may be forgiven by the SBA, otherwise the Organization will be required to repay the loan in full.

In March 2021, IRAP satisfied necessary conditions, and as a result the PPP Loan was forgiven by the SBA.

International Refugee Assistance Project, Inc.

Notes to Financial Statements
August 31, 2020

8. Net Assets with Donor Restrictions

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

| Program | Balance, September 1, 2019 | Contributions | Released from Restrictions | Balance, August 30, 2020 |
|--------------------------------------------------|----------------------------------|---------------------|----------------------------------|--------------------------------|
| Subject to expenditure for specified purpose: | | | | |
| Supervising Attorney Salary | \$ 123,222 | \$ - | \$ - | \$ 123,222 |
| Fellowship Stipends | <u>117,500</u> | <u>-</u> | <u>-</u> | <u>117,500</u> |
| Subject to passage of time: | | | | |
| Program services | <u>3,762,800</u> | <u>6,809,811</u> | <u>3,203,522</u> | <u>7,369,089</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 4,003,522</u> | <u>\$ 6,809,811</u> | <u>\$ 3,203,522</u> | <u>\$ 7,609,811</u> |

9. 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 \$252,314, secured by the balance held in the Organization's bank account.

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 expired January 31, 2021 and July 19, 2020. The third expired September 30, 2019. For those leases which have expired, the arrangements have continued on a month to month basis.

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

| | |
|------------|---------------------|
| 2021 | \$ 401,000 |
| 2022 | 346,000 |
| 2023 | 346,000 |
| 2024 | 359,000 |
| 2025 | 359,000 |
| Thereafter | <u>1,678,000</u> |
| | <u>\$ 3,489,000</u> |

International Refugee Assistance Project, Inc.

Notes to Financial Statements
August 31, 2020

9. Commitments (continued)

Leases (continued)

Occupancy expense was approximately \$470,000 for the year ended August 31, 2020.

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.

10. 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 does not exceed 5% of the employee's compensation. There were no contributions for the year ended August 31, 2020.

11. Contingencies

Coronavirus

The Organization's activities and financial performance have been affected by the recent and ongoing outbreak of the coronavirus disease ("COVID-19"), which has spread globally, and continues to adversely affect economic conditions throughout the world. If the outbreak continues and conditions become worse, the Organization may experience a disruption in operations as well as a decline in contributions received or pledged. The outbreak may adversely affect the Organization's business, financial conditions and results of operations on an interim basis. The Organization has however, taken steps to strengthen its financial position and to maintain financial liquidity and flexibility.

* * * * *