



ACACIA
CENTER FOR JUSTICE

FINANCIAL STATEMENTS

DECEMBER 31, 2022

ACACIA CENTER FOR JUSTICE

TABLE OF CONTENTS
DECEMBER 31, 2022

	<u>Pages</u>
Independent Auditor's Report	3-4
Financial Statements	
Statement of Financial Position	5
Statement of Activities	6
Statement of Functional Expenses	7
Statement of Cash Flows	8
Notes to Financial Statements	9-14

Independent Auditor's Report

Board of Directors
Acacia Center for Justice
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Acacia Center for Justice (Acacia), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acacia as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Acacia and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Acacia's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Acacia'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

ACACIA CENTER FOR JUSTICE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

Assets

Assets	
Cash and Cash Equivalents	\$ 6,234,088
Accounts Receivable	10,758,767
Prepaid Expenses	<u>89,105</u>
Total Assets	<u><u>\$ 17,081,960</u></u>

Liabilities and Net Assets

Liabilities	
Accounts Payable	\$ 10,087,197
Accrued Payroll and Vacation	578,066
Refundable Advances	1,661,665
Deferred Revenue	1,278,298
Accrued Loss on Uncompleted Contract	<u>249,560</u>
Total Liabilities	13,854,786
Net Assets	
Net Assets Without Donor Restrictions	<u>3,227,174</u>
Total Net Assets	<u><u>3,227,174</u></u>
Total Liabilities and Net Assets	<u><u>\$ 17,081,960</u></u>

See accompanying Notes to Financial Statements.

ACACIA CENTER FOR JUSTICE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

Change in Net Assets Without Donor Restrictions

Revenue

Grants and Contributions	\$ 1,638,585
Contract Revenue	20,838,245
Other Revenue	<u>20</u>
Total Revenue Without Donor Restrictions	22,476,850

Expenses

Program Services	
Legal Access and Orientation	9,285,552
Legal Representation	<u>7,053,854</u>
Total Program Services	16,339,406
Supporting Services	
General and Administration	<u>2,910,270</u>
Total Supporting Services	<u>2,910,270</u>
Total Expenses	<u>19,249,676</u>

Change in Net Assets Without Donor Restrictions	3,227,174
Net Assets Without Donor Restrictions, Beginning of Year	<u>-</u>
Net Assets Without Donor Restrictions, End of Year	<u><u>\$ 3,227,174</u></u>

See accompanying Notes to Financial Statements.

ACACIA CENTER FOR JUSTICE

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

	<u>Legal Access and Orientation</u>	<u>Legal Representation</u>	<u>Total Program Services</u>	<u>General and Administration</u>	<u>Total</u>
Salaries	\$ 586,599	\$ 812,793	\$ 1,399,392	\$ 1,968,736	\$ 3,368,128
Payroll Taxes	56,812	81,692	138,504	147,503	286,007
Fringe Benefits	97,254	124,879	222,133	230,077	452,210
Subcontractor Services	8,262,841	5,723,692	13,986,533	-	13,986,533
Professional Fees	241,464	4,278	245,742	321,021	566,763
Conferences and Travel	2,315	4,383	6,698	26,876	33,574
Insurance	-	-	-	32,177	32,177
Office Supplies	22,260	30,843	53,103	74,709	127,812
Other Expenses	15,334	21,247	36,581	103,215	139,796
Telecom and Internet	673	487	1,160	5,956	7,116
Loss on Uncompleted Contract	-	249,560	249,560	-	249,560
Total Expenses	<u>\$ 9,285,552</u>	<u>\$ 7,053,854</u>	<u>\$ 16,339,406</u>	<u>\$ 2,910,270</u>	<u>\$ 19,249,676</u>

See accompanying Notes to Financial Statements.

ACACIA CENTER FOR JUSTICE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities	
Change in Net Assets	\$ 3,227,174
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
<u>(Increase) Decrease in Assets</u>	
Accounts Receivable	(10,758,767)
Prepaid Expenses	(89,105)
<u>(Decrease) Increase in Liabilities</u>	
Accounts Payable	10,087,197
Accrued Payroll and Vacation	578,066
Refundable Advances	1,661,665
Deferred Revenue	1,278,298
Accrued Loss on Uncompleted Contract	<u>249,560</u>
Net Cash Provided by Operating Activities	<u>6,234,088</u>
Net Increase in Cash and Cash Equivalents	6,234,088
Cash and Cash Equivalents, Beginning of Year	<u>-</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 6,234,088</u></u>

See accompanying Notes to Financial Statements.

ACACIA CENTER FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Acacia Center for Justice (Acacia) is a non-profit created in December 2021 through a collaboration between the Vera Institute of Justice (Vera) and the Capital Area Immigrants' Rights Coalition (CAIR Coalition). Operations began in January 2022. The objective of Acacia is to expand on Vera's 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.

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.

ACACIA CENTER FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Organization (Continued)

- 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.

Income Taxes

Acacia is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, Acacia has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Acacia 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. Acacia does not believe its financial statements include, or reflect, any uncertain tax positions.

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable consists of amounts due for services provided under contracts. 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.

Grants and Contributions

Acacia 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

ACACIA CENTER FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Grants and Contributions (Continued)

statement of activities as net assets released from restrictions. Donor restricted contributions for which the restrictions are met in the year received are considered without donor restrictions for 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. Conditional grants and contributions with donor restrictions are considered grants and contributions without donor restrictions if the conditions and restrictions are met in the same period.

Contract Revenue

Contract revenue includes immigration legal services provided by Acacia 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 Acacia 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.

Classification of Net Assets

The financial statements of Acacia have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires Acacia 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 Acacia. These net assets may be used at the discretion of Acacia'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 Acacia or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

ACACIA CENTER FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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.

Use of Estimates

The preparation of 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. LIQUIDITY AND AVAILABILITY OF RESOURCES

Acacia manages its liquidity to meet general expenditures, liabilities, and other obligations as they come due.

As of December 31, 2022, the following financial assets are available for general operating expenditures within one year:

Financial Assets

Cash and Cash Equivalents	\$ 6,234,088
Accounts Receivable	<u>10,758,767</u>
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 16,992,855</u></u>

3. RETIREMENT PLAN

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

4. CONCENTRATIONS

As of December 31, 2022, substantially all accounts receivable was due from two funding sources.

For the year ended December 31, 2022, two funding sources accounted for 100% of the contract revenue and one donor accounted for 100% of the grants and contributions revenue.

Acacia 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, Acacia's cash balances exceeded the FDIC insurance amounts. Management believes the risk in these situations to be minimal.

ACACIA CENTER FOR JUSTICE

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

5. RELATED PARTY TRANSACTIONS

In January 2022, Acacia was established by CAIR Coalition to secure and fulfill certain federal contracts. 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. During the year ended December 31, 2022, CAIR Coalition provided services as a subcontractor to Acacia for approximately \$592,500. In addition, as of December 31, 2022, Acacia had a balance due to CAIR Coalition of approximately \$468,000.

6. CONDITIONAL GRANTS

As of December 31, 2022, Acacia has received a conditional grant with a remaining balance of approximately \$1,662,000. The conditional amount has 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. The grant agreement includes a 15-day termination agreement with written notice by the grantor. In addition, Acacia must incur expenses related to the project.

7. 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 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.

8. 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.

ACACIA CENTER FOR JUSTICE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

8. SUBSEQUENT EVENTS (CONTINUED)

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 financial statements were available to be issued.