

NATIONAL IMMIGRATION LAW CENTER
(A NONPROFIT ORGANIZATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2014)

NATIONAL IMMIGRATION LAW CENTER
(A NONPROFIT ORGANIZATION)
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INDEPENDENT AUDITOR'S REPORT



To the Board of Directors
National Immigration Law Center
Los Angeles, California

Report on the Financial Statements

We have audited the accompanying financial statements of National Immigration Law Center (the "Organization"), which comprise the statement of financial position as of June 30, 2015, 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.

Auditor's 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 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.

To the Board of Directors
National Immigration Law Center
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Immigration Law Center as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2014 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 24, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "SingerLewak LLP".

SingerLewak LLP

Los Angeles, California
January 5, 2016

NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

STATEMENT OF FINANCIAL POSITION

June 30, 2015

(With Comparative Totals at June 30, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 3,704,743	\$ 4,298,585
Investments	775,891	-
Grants receivable	1,453,855	1,027,512
Accounts receivable	10,442	32,330
Related party receivable	1,225	10,834
Prepaid expenses and other current assets	60,476	68,437
Property and equipment, net	<u>27,116</u>	<u>37,047</u>
Total assets	<u>\$ 6,033,748</u>	<u>\$ 5,474,745</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable and accrued expenses	426,743	411,815
Deferred rent	<u>98,457</u>	<u>113,764</u>
Total liabilities	<u>525,200</u>	<u>525,579</u>
Commitments and contingencies (Note 10)		
Net assets		
Unrestricted - Undesignated	1,019,498	540,674
Unrestricted - Board designated	1,686,746	1,536,551
Temporarily restricted	1,802,304	1,871,941
Permanently restricted	<u>1,000,000</u>	<u>1,000,000</u>
Total net assets	<u>5,508,548</u>	<u>4,949,166</u>
Total liabilities and net assets	<u>\$ 6,033,748</u>	<u>\$ 5,474,745</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL IMMIGRATION LAW CENTER
(A NONPROFIT ORGANIZATION)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue and support					
Grants - NILC	\$ 785,000	\$ 3,983,698	\$ -	\$ 4,768,698	\$ 4,142,542
Grants - UWD	-	-	-	-	187,325
Contributions	155,595	-	-	155,595	341,640
Special events, net of direct benefits ' to donors of \$39,057	193,498	-	-	193,498	202,116
Attorney fees	18,743	-	-	18,743	101,672
Investment income	6,200	-	-	6,200	15,843
Miscellaneous income	7,637	-	-	7,637	302
Training and conferences	17,275	-	-	17,275	5,322
Net assets released from restrictions	<u>4,053,335</u>	<u>(4,053,335)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>5,237,283</u>	<u>(69,637)</u>	<u>-</u>	<u>5,167,646</u>	<u>4,996,762</u>
Expenses					
Program services	3,543,710	-	-	3,543,710	5,636,502
Management and general	743,161	-	-	743,161	643,869
Fundraising	<u>321,393</u>	<u>-</u>	<u>-</u>	<u>321,393</u>	<u>236,002</u>
Total expenses	<u>4,608,264</u>	<u>-</u>	<u>-</u>	<u>4,608,264</u>	<u>6,516,373</u>
Change in net assets	629,019	(69,637)	-	559,382	(1,519,611)
Net assets, beginning of year	<u>2,077,225</u>	<u>1,871,941</u>	<u>1,000,000</u>	<u>4,949,166</u>	<u>6,468,777</u>
Net assets, end of year	<u>\$ 2,706,244</u>	<u>\$ 1,802,304</u>	<u>\$ 1,000,000</u>	<u>\$ 5,508,548</u>	<u>\$ 4,949,166</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL IMMIGRATION LAW CENTER
(A NONPROFIT ORGANIZATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Program Services		Supporting Services		Total	
	Program Operations	Management and General	Fundraising	2015	2014	
Personnel						
Salaries	\$ 2,189,173	\$ 454,343	\$ 185,769	\$ 2,829,285	\$ 2,656,494	
Benefits	412,090	86,563	33,812	532,465	487,848	
Contract staff	191,868	20,481	38,749	251,098	971,062	
Total personnel costs	<u>2,793,131</u>	<u>561,387</u>	<u>258,330</u>	<u>3,612,848</u>	<u>4,115,404</u>	
Operating costs						
Bank and payroll fees	-	13,901	-	13,901	-	
Bar dues/agency and professional	8,613	6,641	225	15,479	17,241	
Board support	15,451	3,868	2,912	22,231	24,860	
Computer consultant	44,378	8,762	4,125	57,265	88,498	
Depreciation	-	32,547	-	32,547	27,469	
Development	-	-	6,419	6,419	6,195	
Equipment maintenance and lease	17,848	3,536	1,665	23,049	25,308	
Insurance	-	16,208	-	16,208	3,548	
Legal and accounting fees	-	21,895	-	21,895	26,027	
Library	51,910	682	236	52,828	42,569	
Litigation	56,345	-	-	56,345	39,721	
Management fees	791	-	7,658	8,449	18,434	
Miscellaneous	2,373	707	2,177	5,257	37,207	
Office supplies	4,500	19,366	1,658	25,524	43,790	
Postage and shipping	942	3,415	1,865	6,222	9,024	
Recruitment costs	-	822	-	822	26,402	
Rent	305,792	26,799	9,783	342,374	296,227	
Special projects	8,578	-	-	8,578	1,326,014	
Staff development	3,122	1,404	816	5,342	4,140	
Staff meeting and retreats	21,088	5,015	2,076	28,179	35,338	
Telecommunications	73,545	10,556	10,892	94,993	100,778	
Training and national conference	34,111	1,470	655	36,236	6,776	
Travel	101,192	4,180	9,901	115,273	195,403	
Total operating costs	<u>750,579</u>	<u>181,774</u>	<u>63,063</u>	<u>995,416</u>	<u>2,400,969</u>	
Total 2015 functional expenses	<u>\$ 3,543,710</u>	<u>743,161</u>	<u>321,393</u>	<u>4,608,264</u>		
Total 2014 functional expenses	<u>\$ 5,636,502</u>	<u>643,869</u>	<u>236,002</u>		<u>\$ 6,516,373</u>	

The accompanying notes are an integral part of these financial statements.

NATIONAL IMMIGRATION LAW CENTER
(A NONPROFIT ORGANIZATION)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
Change in net assets	\$ 559,382	\$ (1,519,611)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,547	27,469
Realized and unrealized (gains) losses on investments	1,057	-
(Increase) decrease in:		
Grants receivable	(426,343)	641,422
Accounts receivable	21,888	(32,330)
Related party receivable	9,609	172,863
Prepaid expenses and other assets	7,960	29,223
Increase (decrease) in:		
Accounts payable and accrued liabilities	14,929	48,987
Deferred rent	<u>(15,307)</u>	<u>55,972</u>
Net cash provided by (used in) operating activities	<u>205,722</u>	<u>(576,005)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(22,616)	-
Purchase of Investments	(776,948)	-
Proceeds from sale of investments	<u>-</u>	<u>678,390</u>
Net cash (used in) provided by investing activities	<u>(799,564)</u>	<u>678,390</u>
Net (decrease) increase in cash	(593,842)	102,385
Cash and cash equivalents, beginning of year	<u>4,298,585</u>	<u>4,196,200</u>
Cash and cash equivalents, end of year	<u>\$ 3,704,743</u>	<u>\$ 4,298,585</u>

The accompanying notes are an integral part of these financial statements.

NATIONAL IMMIGRATION LAW CENTER
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – NATURE OF ORGANIZATION

Mission and History

Established in 1979, the National Immigration Law Center (the “Organization” or “NILC”) is the primary legal advocacy organization in the United States dedicated exclusively to defending and advancing the rights and opportunities of low-income immigrants and their families. NILC has been at the forefront of many of the country’s greatest challenges when it comes to immigration issues and has played a major leadership role in addressing the real-life impact of policies that affect the ability of low-income immigrants to prosper and thrive. Over the last 36 years, NILC has won landmark decisions protecting fundamental rights and advanced policies that reinforce the nation’s values of equality, opportunity and justice.

Organizational Goals and Strategies

NILC envisions a U.S. society in which all people – regardless of their race, gender, immigration or economic status – are treated equally and fairly and have equal access to the education, government resources and economic opportunities they need to achieve their full human potential. NILC’s work focuses on key issues: access to health care, education, training and public and private programs that promote healthy lives and economic opportunities; paths to legal status and citizenship; countering punitive immigration enforcement policies and workers’ rights. Policymakers, community organizers, legal advocates and the media recognize NILC staff as experts on this wide range of issues affecting the lives of low-income immigrants.

A distinctive feature of NILC’s work that sets it apart from other national, legal advocacy groups is the Organization’s use of a core set of multiple, integrated strategies to advance its mission: litigation, advocacy and strategic communications. NILC also educates a variety of audiences about complex legal and policy matters affecting immigrants by conducting trainings, publishing educational materials and providing legal counsel and strategic advice.

Qualifications, Reputation and Leadership Role

NILC program staff have decades of experience in NILC’s core issue areas, especially regarding public benefit rules and regulations, health care, employment and labor law and due process and constitutional rights. Many NILC attorneys have extensive experience litigating immigration-related and civil rights cases. Others have deep knowledge of public policy issues affecting immigrants as well as legislative and administrative procedures and processes. Having staff members who understand both the policy and legal implications of a wide range of issues is one of NILC’s great strengths, and many of NILC’s staff members have dedicated their careers to supporting community-based advocacy groups, service providers and organizing initiatives, which informs NILC’s community outreach and education efforts.

Because the Organization’s work is situated at the intersection of the immigrants’ rights movement and other progressive, social movements – such as those concerning healthcare justice, anti-poverty and workers’ rights – NILC has a long history of connecting groups grounded in different issue priorities that would otherwise not be in direct relationship with each other. This unique bridge-building capacity is among the Organization’s core strengths.

NATIONAL IMMIGRATION LAW CENTER

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – NATURE OF ORGANIZATION (Continued)

Qualifications, Reputation and Leadership Role (Continued)

Over the years, NILC has launched powerful alliances that have shaped innovative policy initiatives around immigrants' access to public benefits and health care, workers' rights, immigration enforcement reforms and access to legal status for low-income immigrant youth.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("GAAP").

The accompanying financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014.

Comparative Amounts

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

Classes of Net Assets

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- *Unrestricted* – These include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Unrestricted net assets generally result from revenues generated by receiving interest from investments less expenses incurred in providing program-related services, raising contributions and performing administrative functions.

NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classes of Net Assets (Continued)

- *Temporarily Restricted* – The Organization reports gifts of cash and other assets as temporarily 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 of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions.
- *Permanently Restricted* – These net assets are received by donors who stipulate that resources are to be maintained permanently but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets.
- *Board Designated* – The Board has adopted a policy that the Organization maintain a reserve fund equal to 4.5 months of annual operating expenses. This fund is segregated from other funds and is to be only used in extraordinary circumstances. The reserved funds are not to be used to cover temporary cash flow needs.

Revenue Recognition

Contributions and pledges are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions and pledges are recorded at their fair value as unrestricted support, temporarily restricted support or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is, when a stipulated restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments purchased with an initial maturity of three months or less.

Investments

Investments in certificates of deposit are reported at fair value. Interest income and gains on investments are reflected in the statement of activities as increases or decreases in unrestricted support if they are received with donor stipulations that limit the use of the donated asset.

NATIONAL IMMIGRATION LAW CENTER
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value at date of donation. Major improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities. Provision for the depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the related assets which range from 3 to 5 years.

Long-lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted cash future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No such impairment losses were recognized on long-lived assets during the year ended June 30, 2015.

Fair Value of Financial Instruments

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic No. 820, “Fair Value Measurements and Disclosures” (“ASC 820”), applies to all assets and liabilities that are recognized or disclosed at fair value on a recurring basis. ASC 820 defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. In addition to defining fair value, ASC 820 expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs.

Fair Value of Financial Instruments

The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data
- Level 3: Unobservable inputs that are not corroborated by market data

For cash and cash equivalents, accounts receivable and accounts payable and accrued expenses, the carrying amounts of these financial instruments represent a reasonable estimate of fair values due to their short-term maturities.

NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit Risks

Financial instruments that potentially expose the Organization to concentrations of credit risk consist of cash and cash equivalents. The Organization maintains its bank and investment accounts at high-credit quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At times, cash in these accounts may exceed the insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash.

As of June 30, 2015, 77% of grants receivable were due from four funding sources. They were all due within one year as of June 30, 2015.

Income Taxes

The Organization is exempt from taxation under Internal Revenue Code (“IRC”) Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic No. 740, “Income Taxes,” the Organization recognized the impact of tax positions in the financial statements if those positions will more likely than not be sustained on audit, based on the technical merits of the position. The Organization is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization has no recognized/derecognized tax benefits or tax penalties or interest. The Organization’s income tax returns remain subject to examination for all tax years ended on or after June 30, 2011 with regard to all tax positions and results reported.

Contributed Services

Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair values in the period received. Some unpaid volunteers have made contributions of their time to the Organization. However, the value of these services is not reflected in these financial statements because the criteria for recognition have not been satisfied.

Functional Allocation of Expenses

The costs of providing program services and supporting services are summarized on a functional basis in the Statement of Activities. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees’ time incurred and on usage of resources.

NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncement

In April 2013, the FASB issued ASU No. 2013-06, “Not-For-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate.” This guidance requires entities to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services. The requirements are effective prospectively for fiscal years beginning after June 15, 2014. The adoption of ASU 2013-06 did not have a material financial impact on the Organization’s financial position, statements of activities or cash flows.

Recently Issued Accounting Pronouncement

In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard will be effective for annual periods beginning after December 15, 2017. The Organization has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern* (“ASU 2014-15”). ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist which raise substantial doubt about an entity’s ability to continue as a going concern and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and annual and interim periods thereafter, with early adoption permitted. The Organization is currently evaluating the impact of adopting this new standard on the financial statement disclosures.

NATIONAL IMMIGRATION LAW CENTER
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – INVESTMENTS

Investments consist of certificates of deposit with maturities ranging from six months to three years.

The following table represents information about the Organization’s investments that are measured at fair value on a recurring basis at June 30, 2015 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ <u> </u> -	\$ <u> 775,891 </u>	\$ <u> </u> -	\$ <u> 775,891 </u>

The fair values of certificates of deposit determined by Level 2 inputs were valued utilizing observable data points such as interest rates and yield curves at June 30, 2015.

Investment in certificates of deposit at June 30, 2015 will mature as follows:

Due within one year	\$ 427,073
Due between one and three years	<u>348,818</u>
Total	<u>\$ 775,891</u>

Investment income from certificates of deposit for the year ended June 30, 2015 consists of interest income of \$4,282 and unrealized loss of \$1,057.

NOTE 4 – RELATED PARTY RECEIVABLE

In May 2013, NILC Immigration Justice Fund (“Fund”) was incorporated. It is exempt from federal income tax under Section 501(c)(4) of the IRC and corresponding provisions of state law. The Fund’s purpose is to promote social welfare by, to the extent permitted under Section 501(c)(4), promoting and advancing just and humane immigration policies, including playing a leadership role in advocating for a broad expansive overhaul of the nation’s immigration systems.

NATIONAL IMMIGRATION LAW CENTER
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NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 – RELATED PARTY RECEIVABLE (Continued)

NILC and the Fund have some common board members and share certain nonhuman resources, such as office space, furniture and equipment, and jointly employ certain human resources. NILC and the Fund entered into a Resource Sharing Agreement for the reasonable allocation between the parties of the expenses associated with use of shared or joint resources. During the year ended June 30, 2015, NILC charged the Fund \$73,448 for shared resources and, as a result, there was a receivable from the Fund of \$1,225 at June 30, 2015. The receivable is unsecured, noninterest bearing and will be settled during the ordinary course of business.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at June 30, 2015:

Furniture and equipment	\$	204,706
Library		<u>1,000</u>
 Total		 205,706
Less accumulated depreciation		<u>(178,590)</u>
 Property and equipment, net		 <u>\$ 27,116</u>

Depreciation expense totaled \$32,547 for the year ended June 30, 2015.

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accrued liabilities at June 30, 2015 consist of the following:

Trade payables	\$	52,438
Accrued paid-time off		269,931
Accrued payroll		87,781
Other		<u>16,594</u>
 Total		 <u>\$ 426,744</u>

NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following as of June 30, 2015:

<u>Purpose</u>	<u>June 30, 2014</u>	<u>Additions</u>	<u>Release</u>	<u>June 30, 2015</u>
Access to healthcare	\$ 332,329	\$ 775,000	\$ (773,963)	\$ 333,366
Immigration – DACA	96,914	75,000	(165,081)	6,833
Immigration enforcement	200,176	-	(200,176)	-
Immigration reform	54,201	660,841	(469,632)	245,410
Organization development	143,430	250,000	(195,015)	198,415
Legal services support	56,141	171,922	(151,294)	76,769
Immigration-state/local Policies	-	193,000	(105,500)	87,500
Communications	-	7,935	(6,424)	1,511
Time restricted	<u>988,750</u>	<u>1,850,000</u>	<u>(1,986,250)</u>	<u>852,500</u>
	<u>\$ 1,871,941</u>	<u>\$ 3,983,698</u>	<u>\$(4,053,335)</u>	<u>\$ 1,802,304</u>

NOTE 8 – ENDOWMENT

The Organization's endowment fund – Special Operating Reserve (“SOR” or “Fund”) was established in 2013 with a contribution of \$1,000,000 from a Foundation. The purpose of this fund is to help manage urgent fiscal and leadership issues that could cause significant disruption of program activities. The Fund may be used to safeguard NILC from unforeseen economic circumstances that could cause significant disruption of program activities and safeguard NILC from unforeseen major donor losses. The Fund may also be used to help NILC overcome major challenges such as an unexpected transition of the executive director. Funds may only be drawn after approval by the board of directors, including a finding that the conditions for release of the funds have occurred.

The Fund is intended to be a long-term asset for the Organization, so any withdrawals should be considered temporary. At the time of such withdrawal, the board shall establish a plan to replenish the borrowed funds and share the plan with the contributing Foundation.

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NOTE 8 – ENDOWMENT (Continued)

Interpretation of Laws and Accounting Guidance

The Organization's governing board has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") adopted by the state of California as requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted instrument endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate earnings on the Fund:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Organization
7. The Organization's investment policy

Strategies Employed for Achieving Objectives

Specifically, the primary objective in the investment management of the Fund shall be:

Long-term growth of capital – To emphasize the long-term growth of principal while avoiding excessive risk. Short-term volatility consistent with the volatility of a comparable market index is anticipated, though management should strive to contain it.

Preservation of purchasing power – To achieve returns in excess of the rate of inflation plus spending over the investment time horizon in order to preserve purchasing power of agency and Trust assets. Risk control is an important element in the investment of Trust assets.

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NOTE 8 – ENDOWMENT (Continued)

Spending Policy and How Investment Objectives Relate to Spending Policy

The assets of the Funds shall be managed in such a way as to facilitate the Organization's goals and objectives as outlined by the board of directors. The principal is permanent and irrevocable; thus, it can never be spent. At the discretion of the board of directors, up to 100% of the yearly total return may be utilized for program and agency expenses unless restricted for specific purposes by the donor(s).

Composition of Endowment and Current Year Activity

The total endowment fund of the Organization amounted to \$1,000,000 as of June 30, 2015. The entire amounts consist of cash.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2015.

NOTE 9 – PENSION PLAN

NILC has a tax deferred annuity retirement plan under IRC Section 403(b). The plan covers all eligible employees of NILC. Participants may elect to defer 20% of their salary, depending on years of service and subject to the maximum exclusion determined by the IRC. NILC makes employer contributions of 2% of qualifying wages for employees with at least two years of continuous service. NILC contributed \$39,769 to the Plan for the year ended June 30, 2015.

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NOTE 10 – COMMITMENTS AND CONTINGENCIES

Obligations under Operating Leases

NILC leases various facilities under operating leases with various terms through November 2025. Effective on March 27, 2015, NILC entered into a revised agreement for its Los Angeles office space, which included an expansion of its premises and extended the maturity date to November 30, 2025. Future minimum payments, by year and in aggregate, under these leases, excluding the terminated lease, with initial or remaining terms of one year or more consist of the following:

<u>Years Ending</u> <u>June 30</u>	
2016	\$ 397,103
2017	445,775
2018	458,197
2019	470,972
2020	492,422
Thereafter	<u>1,758,154</u>
Total	<u>\$ 4,022,623</u>

Rent expense under operating leases for the year ended June 30, 2015 was \$326,426.

Litigation

From time to time, the Organization is involved in certain legal proceedings and claims which arise in the normal course of business. Management does not believe that the outcome of these matters will have a material effect on the Organization's statements of financial position or activities.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 5, 2015, which is the date the financial statements were available to be issued.