

**NATIONAL IMMIGRATION LAW CENTER**  
**(A NONPROFIT ORGANIZATION)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2014**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2013)**

**NATIONAL IMMIGRATION LAW CENTER**  
**(A NONPROFIT ORGANIZATION)**  
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**June 30, 2014**

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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 statements of financial position as of June 30, 2014, 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, 2014, 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.

### **Emphasis of Matter**

As discussed in Note 2 to the financial statements, the Organization has corrected an error regarding net asset classification. Our opinion is not modified with respect to this matter. We also audited the adjustments described in Note 2 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

### **Report on Summarized Comparative Information**

The financial statements of the Organization, as of and for the year ended June 30, 2013, before they were restated for the matter disclosed in Note 2 to the financial statements, were audited by other auditors whose report dated October 18, 2013 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein, as adjusted for the matter discussed in Note 2, as of and for the year ended June 30, 2013, 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  
April 24, 2015

**NATIONAL IMMIGRATION LAW CENTER**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

<b>ASSETS</b>		2014	Restated (Note 2) 2013
		<u>2014</u>	<u>2013</u>
<b>Assets</b>			
Cash and cash equivalents	\$	4,298,585	\$ 4,196,200
Investments		-	678,390
Grants receivable		1,027,512	1,668,934
Accounts receivable		32,330	-
Related party receivable		10,834	183,697
Prepaid expenses and other current assets		68,437	97,660
Property and equipment, net		<u>37,047</u>	<u>64,517</u>
<b>Total assets</b>	<b>\$</b>	<b><u>5,474,745</u></b>	<b><u>\$ 6,889,398</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses		411,815	362,829
Deferred rent		<u>113,764</u>	<u>57,792</u>
<b>Total liabilities</b>		<u>525,579</u>	<u>420,621</u>
<b>Commitments and contingencies (Note 10)</b>			
<b>Net assets</b>			
Unrestricted – Undesignated		540,674	438,083
Unrestricted – Board designated		1,536,551	1,443,659
Temporarily restricted		1,871,941	3,587,035
Permanently restricted		<u>1,000,000</u>	<u>1,000,000</u>
Total net assets		<u>4,949,166</u>	<u>6,468,777</u>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b><u>5,474,745</u></b>	<b><u>\$ 6,889,398</u></b>

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, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

	2014			Restated (Note 2) 2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Revenue and support</b>					
Grants – NILC	\$ -	\$ 4,142,542	\$ -	\$ 4,142,542	\$ 6,086,226
Grants – UWD	-	187,325	-	187,325	2,924,529
Contributions	341,640	-	-	341,640	443,500
Special events, net of direct benefits to donors of 43,369	202,116	-	-	202,116	99,822
Management fee	-	-	-	-	43,000
Attorney fees	101,672	-	-	101,672	22,608
Investment income	15,843	-	-	15,843	12,778
Miscellaneous income	302	-	-	302	2,774
Training and conferences	5,322	-	-	5,322	500
Net assets released from restrictions	<u>6,044,961</u>	<u>(6,044,961)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total revenue and support</b>	<u>6,711,856</u>	<u>(1,715,094)</u>	<u>-</u>	<u>4,996,762</u>	<u>9,635,737</u>
<b>Expenses</b>					
Program services	5,636,502	-	-	5,636,502	6,208,926
Management and general	643,869	-	-	643,869	753,160
Fundraising	<u>236,002</u>	<u>-</u>	<u>-</u>	<u>236,002</u>	<u>133,007</u>
Total expenses	<u>6,516,373</u>	<u>-</u>	<u>-</u>	<u>6,516,373</u>	<u>7,095,093</u>
<b>Change in net assets</b>	195,483	(1,715,094)	-	(1,519,611)	2,540,644
<b>Net assets, beginning of year (restated - Note 2)</b>	<u>1,881,742</u>	<u>3,587,035</u>	<u>1,000,000</u>	<u>6,468,777</u>	<u>3,928,133</u>
<b>Net assets, end of year</b>	<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>

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, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

	Program Services			Supporting Services		Total	
	NILC	UWD	Total	Management and General	Fundraising	2014	2013
<b>Personnel</b>							
Salaries	\$ 2,139,784	\$ 4,773	\$ 2,144,557	\$ 382,023	\$ 129,914	\$ 2,656,494	\$ 2,653,087
Benefits	391,108	-	391,108	72,987	23,753	487,848	504,017
Contract staff	923,543	-	923,543	22,624	24,895	971,062	1,331,047
<b>Total personnel costs</b>	<b>3,454,435</b>	<b>4,773</b>	<b>3,459,208</b>	<b>477,634</b>	<b>178,562</b>	<b>4,115,404</b>	<b>4,488,151</b>
<b>Operating costs</b>							
Bank and payroll fees	-	-	-	-	-	-	14,109
Bar dues/agency and professional	15,047	-	15,047	1,637	557	17,241	17,462
Board support	20,005	-	20,005	3,623	1,232	24,860	10,413
Computer consultant	71,107	-	71,107	12,838	4,553	88,498	43,044
Depreciation	22,104	-	22,104	4,004	1,361	27,469	26,608
Development	-	-	-	-	6,195	6,195	3,631
Equipment maintenance and lease	20,271	-	20,271	3,759	1,278	25,308	20,891
Insurance	3,004	-	3,004	544	-	3,548	3,366
Legal and accounting fees	-	-	-	26,027	-	26,027	-
Library	42,502	-	42,502	-	67	42,569	68,930
Litigation	39,721	-	39,721	-	-	39,721	42,013
Management fees	-	-	-	18,434	-	18,434	-
Miscellaneous	28,277	-	28,277	6,192	1,730	36,199	20,200
Office supplies	29,288	-	29,288	5,062	9,440	43,790	29,967
Postage and shipping	6,703	-	6,703	986	1,335	9,024	9,926
Project Consulting	1,008	-	1,008	-	-	1,008	20,999
Recruitment costs	236	-	236	26,166	-	26,402	1,167
Rent	240,469	-	240,469	41,608	14,150	296,227	236,739
Special projects	450,135	875,879	1,326,014	-	-	1,326,014	1,120,476
Staff development	3,580	-	3,580	560	-	4,140	5,970
Staff meeting and retreats	29,557	-	29,557	4,442	1,339	35,338	32,333
Telecommunications	84,058	-	84,058	9,852	6,868	100,778	120,481
Training and National Conference	6,776	-	6,776	-	-	6,776	27,644
Travel	187,567	-	187,567	501	7,335	195,403	85,325
UWD events	-	-	-	-	-	-	645,248
<b>Total operating costs</b>	<b>1,301,415</b>	<b>875,879</b>	<b>2,177,294</b>	<b>166,235</b>	<b>57,440</b>	<b>2,400,969</b>	<b>2,606,942</b>
<b>Total 2014 functional expenses</b>	<b>\$ 4,755,850</b>	<b>\$ 880,652</b>	<b>\$ 5,636,502</b>	<b>\$ 643,869</b>	<b>\$ 236,002</b>	<b>\$ 6,516,373</b>	
<b>Total 2013 functional expenses</b>	<b>\$ 3,322,763</b>	<b>\$ 2,886,163</b>	<b>\$ 6,208,926</b>	<b>\$ 753,160</b>	<b>\$ 133,007</b>		<b>\$ 7,095,093</b>

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

**NATIONAL IMMIGRATION LAW CENTER**  
**(A NONPROFIT ORGANIZATION)**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended June 30, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

	<u>2014</u>	(Restated Note 2) <u>2013</u>
Change in net assets	\$ (1,519,611)	\$ 2,540,644
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	27,469	26,608
Donated stock	-	(500,000)
Proceeds from sale of donated stock	-	502,240
Realized and unrealized (gains) losses on investments	-	(3,519)
(Increase) decrease in:		
Grants receivable	641,422	(327,594)
Accounts receivable	(32,330)	-
Related party receivable	172,863	(183,697)
Prepaid expenses and other assets	29,223	(42,795)
Increase (decrease) in:		
Accounts payable and accrued liabilities	48,987	173,335
Deferred rent	55,972	-
Net cash (used in) provided by operating activities	<u>(576,005)</u>	<u>2,185,222</u>
Cash flows from investing activities:		
Purchase of property and equipment	-	(39,606)
Proceeds from sale of investments	678,390	97,204
Net cash provided by investing activities	<u>678,390</u>	<u>57,598</u>
Net increase in cash	102,385	2,242,820
Cash and cash equivalents, beginning of year	<u>4,196,200</u>	<u>1,953,380</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 4,298,585</u></b>	<b><u>\$ 4,196,200</u></b>

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



# NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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## 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

(A NONPROFIT ORGANIZATION)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1 – NATURE OF ORGANIZATION (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.

For many years, the United We Dream Network ("UWD") has been an integral part of NILC and its work to ensure broad access to legal status for low-income immigrants. NILC was a co-convenor of a coalition that was the precursor to UWD, providing strategic and legal guidance to national coalition members and supporting their organizing and advocacy efforts. In December 2008, the coalition formalized and became the UWD, and NILC served as the fiscal sponsor for the network from its inception until it became independent in April 2014.

### NOTE 2 – PRIOR PERIOD RESTATEMENT

During the year ended June 30, 2014, the Organization corrected an error and changed the net asset classification of a contribution that was received in 2013 to permanently restricted net assets from temporarily restricted net assets. The following statement of financial position line items as of June 30, 2013 were affected by the correction of the error, as follows:

	As Reported 2013	Adjusted	Restated 2013
Temporarily restricted net assets	\$ 4,587,035	\$(1,000,000)	\$ 3,587,035
Permanently restricted net assets		1,000,000	1,000,000

### NOTE 3 – 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, 2013.

#### Comparative Amounts

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

# NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.
- *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.

# NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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 years ended June 30, 2014 or 2013.

### 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.

# NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair Value of Financial Instruments (Continued)

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.

### 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, 2014 and June 30, 2013 75% of grants and receivable were due from four funding sources and 30% of grants receivable were due from two funding sources, respectively.

### 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, 2010 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.

# NATIONAL IMMIGRATION LAW CENTER

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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## NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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 October 2012, the FASB issued Accounting Standards Update ("ASU") No. 2012-05, "Statement of Cash Flows (Topic 230): Not-for-Profit Entities ("NFP"): Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows" ("ASU 2012-05"), which requires an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that, upon receipt, were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated securities should be classified as cash flows from investing activities by the NFP. ASU 2012-05 is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. The adoption of ASU 2013-05 did not have a material financial impact on the Organization's financial position, statements of activities or cash flows.

### Recently Issued 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. Management is still in the process of evaluating the impact of this pronouncement on the Organization's financial statements.

**NATIONAL IMMIGRATION LAW CENTER**  
**(A NONPROFIT ORGANIZATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**NOTE 4 – GRANTS RECEIVABLE**

Grants receivable consists of the following at June 30, 2014:

Due within One Year	\$ 825,262
Due between One and Five Years	<u>202,250</u>
<b>Total</b>	<b><u>\$ 1,027,512</u></b>

**NOTE 5– 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.

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, 2014, NILC charged the fund \$241,510 for shared resources and, as a result, there was a receivable from the fund of \$10,834 at June 30, 2014. The receivable is unsecured, noninterest bearing and will be settled during the ordinary course of business.

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**NOTE 6 – PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following at June 30, 2014 and 2013:

	2014	2013
Furniture and equipment	\$ 182,090	\$ 182,090
Library	1,000	1,000
Total	183,090	183,090
Less accumulated depreciation	(146,043)	(118,573)
<b>Property and equipment, net</b>	<b>\$ 37,047</b>	<b>\$ 64,517</b>

Depreciation expense totaled \$27,469 and \$26,608 for the fiscal years ended June 30, 2014 and 2013, respectively.

**NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accrued liabilities at June 30, 2014 consist of the following:

Trade payables	\$ 100,985
Accrued paid-time off	271,134
Other	39,696
<b>Total</b>	<b>\$ 411,815</b>



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### NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets for the following purposes were as follows:

<u>Purpose</u>	<u>June 30,</u> <u>2013</u>	<u>Additions</u>	<u>Release</u>	<u>June 30,</u> <u>2014</u>
Access to Healthcare	\$ 702,500	\$ 595,000	\$ (965,171)	\$ 332,329
Immigration – DACA	403,143	447,000	(753,229)	96,914
Immigration Enforcement	698,890	903,004	(1,401,718)	200,176
Immigration Reform	120,000	250,000	(315,799)	54,201
Organization Development	-	280,000	(136,570)	143,430
Legal Services Support	24,997	195,538	(164,394)	56,141
UWD	311,100	187,325	(498,425)	-
Time restricted	<u>1,326,405</u>	<u>1,472,000</u>	<u>(1,809,655)</u>	<u>988,750</u>
	<b><u>\$ 3,587,035</u></b>	<b><u>\$ 4,329,867</u></b>	<b><u>\$(6,044,961)</u></b>	<b><u>\$ 1,871,941</u></b>

### NOTE 9 – 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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NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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## NOTE 9 – 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.

### 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).

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## NOTE 9 – ENDOWMENT (Continued)

### Composition of Endowment and Current Year Activity

The total endowment fund of the Organization amounted to \$1,000,000 as of June 30, 2014 and 2013. 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, 2014 and 2013.

## NOTE 10 – FISCAL SPONSORSHIPS

Effective July 1, 2010, NILC entered into a formal agreement to sponsor the United We Dream Network (“UWD”), which had been a project of NILC up to that point. UWD is seeking tax exemption under IRC Section 501(c)(3). UWD’s purpose is to build a national immigrant youth-led organization to achieve access to legal status and equal access to higher education for all youth in the United States. Grants amounting to \$112,235 that were received on behalf of UWD have been included in grant revenue for the current year. All grant revenue had been received as of June 30, 2014.

As a result of UWD developing more internal infrastructure, effective July 1, 2013, NILC effectively began engaging in transactions acting as fiscal agent. UWD revenue and expenses will be recorded in its own accounting system. On February 28, 2014, UWD obtained its independent nonprofit status and the sponsorship relationship ended on April 16, 2014.

## NOTE 11 – 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 \$33,976 to the Plan for the year ended June 30, 2014.

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## NOTE 12 – COMMITMENTS AND CONTINGENCIES

### Obligations under Operating Leases

NILC leases various facilities under operating leases with various terms through December 2020. Effective August 1, 2013, one of the leases was terminated and NILC was released from all future obligations. 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>	
2015	\$ \$334,598
2016	251,665
2017	192,096
2018	196,908
2019	201,842
Thereafter	<u>312,946</u>
<b>Total</b>	<b><u>\$ 1,490,055</u></b>

Rent expense under operating leases for the year ended June 30, 2014 was \$273,300.

### 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.

### Contingency

The Organization is contingently liable for a stand-by irrevocable letter of credit with respect to the security deposit on its premises in the amount of \$29,737. The Organization does not anticipate any loss from this contingency.

## NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 24, 2015, which is the date the financial statements were available to be issued.