NATIONAL IMMIGATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2016

**(With Comparative Totals for the
Year Ended June 30, 2015)**

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

C O N T E N T S

Gursey | Schneider LLP

CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

PARTNERS
David J. Swan, CPA*†
David E. Blumenthal, CPA*†
Stephan H. Wasserman, CPA*†
Robert O. Watts, CPA†
Tracy Farryl Katz, ESQ., CPA†
Nazfar B. Afshar, CPA†
Marie Ambrosino
Gary L. Krausz, CPA†
Keith S. Dolabson, CPA
James M. Good, CPA†
Brian J. Gray, CPA
Kristin L. Webster, CPA
Kristina M. Fujisaki, CPA†

DIRECTORS
Stacey S. Summers, CPA

FOUNDERS
Donald L. Gursey, (1936-2007)
Stanley B. Schneider, CPA

1888 Century Park East, Suite 900
Los Angeles, CA 90067

310 552 0960 ph
310 557 3468 fx

www.gursey.com

*Accredited in Business Valuation
†Certified in Financial Forensics

An Independent Member of
DFK International

Independent Auditor's Report

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

We have audited the accompanying financial statements of National Immigration Law Center (a California nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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.

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, 2016, 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

The financial statements of the Organization as of and for the year ended June 30, 2015 were audited by other auditors whose report dated January 5, 2016, expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gursey | Schneider LLP

November 18, 2016
Los Angeles, California

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2016 and 2015

ASSETS

	2016	2015
Cash and cash equivalents	$ 4,913,612	$ 3,704,743
Investments	857,283	775,891
Grants receivable	1,881,449	1,453,855
Pledges receivable	12,668	10,442
Related party receivable	14,790	1,225
Prepaid expenses and other assets	75,421	60,476
Property and equipment, net	78,002	27,116
TOTAL ASSETS	$ 7,833,225	$ 6,033,748

LIABILITIES AND NET ASSETS

	2016	2015
LIABILITIES		
Accounts payable and other accrued liabilities	$ 632,264	$ 426,743
Deferred rent	124,410	98,457
TOTAL LIABILITIES	756,674	525,200
NET ASSETS		
Unrestricted - undesignated	468,580	1,019,498
Unrestricted - board designated	1,686,746	1,686,746
Temporarily restricted	3,921,225	1,802,304
Permanently restricted	1,000,000	1,000,000
TOTAL NET ASSETS	7,076,551	5,508,548
TOTAL LIABILITIES AND NET ASSETS	$ 7,833,225	$ 6,033,748

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Activities
For the Years Ended June 30, 2016 and 2015

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUES AND SUPPORT					
Grants	$ -	$ 7,276,298	$ -	$ 7,276,298	$ 4,768,698
Contributions	205,816	-	-	205,816	155,595
Special event income, net of $44,807 direct costs	196,188	-	-	196,188	193,498
Attorney fees	125,742	-	-	125,742	18,743
Investment income	7,374	-	-	7,374	6,200
Training and conferences	10,860	-	-	10,860	17,275
Honorarium and other income	42,901	-	-	42,901	7,637
Subtotal	588,881	7,276,298	-	7,865,179	5,167,646
Net assets released from restrictions	5,157,377	(5,157,377)	-	-	-
Total Revenues and Support	5,746,258	2,118,921	-	7,865,179	5,167,646
EXPENSES					
Program services	5,440,411	-	-	5,440,411	3,543,710
Management and general	544,589	-	-	544,589	743,161
Fundraising	312,176	-	-	312,176	321,393
Total Expenses	6,297,176	-	-	6,297,176	4,608,264
CHANGE IN NET ASSETS	(550,918)	2,118,921	-	1,568,003	559,382
NET ASSETS, Beginning of Year	2,706,244	1,802,304	1,000,000	5,508,548	4,949,166
NET ASSETS, End of Year	$ 2,155,326	$ 3,921,225	$ 1,000,000	$ 7,076,551	$ 5,508,548

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Functional Expenses
For the Years Ended June 30, 2016 and 2015

	2016 Program Services	2016 General and Administration	2016 Fundraising	2016 Total	2015 Total
Personnel:					
Salaries	$ 2,703,253	$ 293,364	$ 173,175	$ 3,169,792	$ 2,829,286
Benefits and payroll taxes	477,001	52,342	29,222	558,565	532,464
Contract staff	695,763	59,489	39,254	794,506	251,098
Total personnel costs	3,876,017	405,195	241,651	4,522,863	3,612,848
Other Operating Expenses:					
Bank and payroll fees	-	15,457	2,464	17,921	16,030
Bar dues and memberships	11,013	2,415	180	13,608	15,479
Board support	15,384	1,669	986	18,039	22,231
Computer consultant	37,333	4,051	2,392	43,776	57,265
Depreciation and amortization	26,740	2,902	1,713	31,355	32,547
Development	69	-	-	69	6,419
Equipment maintenance and lease	16,654	1,807	1,067	19,528	23,049
Insurance	13,566	1,472	869	15,907	16,208
Legal and accounting fees	-	28,273	-	28,273	21,895
Library	39,463	927	123	40,513	52,828
Litigation	53,817	-	-	53,817	56,345
Marketing	1,400	-	5,747	7,147	8,449
Miscellaneous	10,739	1,444	4,754	16,937	2,873
Office supplies	26,000	22,842	4,669	53,511	25,527
Postage and shipping	2,958	544	4,718	8,220	6,222
Recruitment	-	7,781	-	7,781	822
Rent	406,045	21,478	12,584	440,107	342,375
Special project	-	-	-	-	8,577
Staff development	4,469	3,319	619	8,407	5,269
Staff meeting and retreats	39,477	4,991	1,900	46,368	28,179
Sub-grants to other organizations	472,835	-	-	472,835	-
Telecommunications	181,780	9,382	10,153	201,315	94,993
Training and national conference	44,877	2,190	41	47,108	36,310
Travel	159,775	6,450	15,546	181,771	115,524
Total other operating expenses	1,564,394	139,394	70,525	1,774,313	995,416
Total Functional Expenses (2016)	$ 5,440,411	$ 544,589	$ 312,176	$ 6,297,176	
% of Total Expenses	*86%*	*9%*	*5%*	*100%*	
Total Functional Expenses (2015)	$ 3,543,710	$ 743,161	$ 321,393		$ 4,608,264
% of Total Expenses	*77%*	*16%*	*7%*		*100%*

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended June 30, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,568,003	$ 559,382
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	31,355	32,547
Realized and unrealized gains on investments	534	1,057
(Increase) decrease in assets:		
Grants receivable	(427,594)	(426,343)
Accounts receivable	(2,226)	21,888
Related party receivable	(13,565)	9,609
Prepaid expenses and other assets	(14,945)	7,960
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	205,521	14,929
Deferred rent	25,953	(15,307)
CASH PROVIDED BY OPERATING ACTIVITIES	1,373,036	205,722
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(81,926)	(22,616)
Purchase of investments	(82,241)	(776,948)
CASH USED IN INVESTING ACTIVITIES	(164,167)	(799,564)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,208,869	(593,842)
CASH AND CASH EQUIVALENTS, Beginning of Year	3,704,743	4,298,585
CASH AND CASH EQUIVALENTS, End of Year	$ 4,913,612	$ 3,704,743

NOTE 1 – DESCRIPTION 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 polices 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.

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 Financial 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").

Comparative Amounts – Certain comparative a mounts have been reclassified to conform to the current year's financial statement presentation.

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, 2015.

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:

The financial statements are presented utilizing the accrual basis of accounting. NILC recognizes contributions, including unconditional promises to give, as revenue in the period in which they are received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor–imposed restrictions. Accordingly, net assets of NILC and changes therein are classified and reported 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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.

Contributed Goods and Services – Contributions of donated non–cash assets are recorded at fair value in the period received. Contributions of donated services are recognized if the services received (a) create or enhance long–lived assets, or (b) require specialized skills provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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 programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

Cash and Cash Equivalents – Cash and cash equivalents are short–term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2016 approximates its fair value.

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.

Contributions and Pledges Receivable – Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. NILC reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Discounts for pledges (pledges due over one year) are recorded as reductions to contribution revenue and pledges receivable. Discounts increase contribution revenue when the pledge is received.

At June 30, 2016, NILC evaluated the collectability of pledges receivable and no allowance for uncollectible pledges was considered necessary. All pledges receivable at June 30, 2016 are expected to be collected within a year.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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, 2016.

Fair Value of Financial Instruments – Financial Accounting Standards Board 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.

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.

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, 2016, 79% of grants receivable were due from three donors. The majority of receivables are due within one year of June 30, 2016.

Income Taxes – The Organization is exempt from taxation under Internal Revenue Code ("IRC") Section 501(c)(3) and California Revenue and Taxation Code Section 2370 1(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, 2012 with regard to all tax positions and results reported.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Recently Issued Accounting Pronouncement – In May 2014, FASB issued ASU 2014–09, *“Revenue from Contracts with Customers,”* which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one–year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2017. Early adoption is permitted, although not prior to fiscal years beginning after December 15, 2016. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on NILC’s financial statements and related disclosures and has not yet selected a transition method.

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.

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016–02, *“Leases”* (Topic 842). This ASU requires a lessee to recognize a right–of–use asset and a lease liability under most operating leases in its balance sheet. For non–public entities, the standard is effective for fiscal years beginning after December 15, 2019 and interim periods beginning the following year. Early adoption is permitted. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients during the period of adoption. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. Management is currently evaluating the impact this change in accounting standards will have on NILC’s financial statements and related disclosures.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Subsequent Events – Subsequent events have been evaluated through November 18, 2016, the date the financial statements were available to be issued.

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, 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

Investment	Level 1	Level 2	Level 3	Total
Certificates of deposit	$ -	$ 857,283	$ -	$ -

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, 2016.

Investment in certificates of deposit at June 30, 2016 will mature as follows:

Due within one year	$ 604,081
Due in one to two years	199,159
Due in two to three years	54,043
Total	$ 857,283

Investment income from certificates of deposit for the year ended June 30, 2016 consists of interest income of $7,908 and unrealized loss of ($534).

NOTE 4 – RELATED PARTY RECEIVABLE

In May 2013, NILC Immigrant Justice Fund ("IJF") was incorporated. IJF is exempt from federal income tax under Section 501(c)(4) of the IRC and corresponding provisions of state law. IJF'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 IJF have some common board members and share certain administrative resources, such as office space, furniture and equipment, and jointly employ certain employees. NILC and IJF entered into a Resource Sharing Agreement for the reasonable allocation between the parties of the expenses associated with use of shared or joint resources and employees. During the year ended June 30, 2016, NILC charged IJF $21,740 for shared resources and, as a result, there was a receivable from the Fund of $14,790 at June 30, 2016. The receivable is unsecured, bears interest at 0.5% per month, and will be settled during the ordinary course of business.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 consisted of the following:

Furniture and equipment	$ 254,754
Leasehold improvements	29,424
Library and software	3,769
	287,947
Accumulated depreciation	(209,945)
Total	$ 78,002

Depreciation expense for the year ended June 30, 2016 was $31,355.

NOTE 6 – ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities at June 30, 2016 consist of the following:

Trade payables	$ 211,624
Compensated absences	288,741
Deferred revenue	77,800
Accrued wages and withholdings	52,563
All other	1,536
	$ 632,264

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following as of June 30, 2016:

	June 30, 2015	Additions	Release	June 30, 2016
Program / Purpose Restricted				
Access to healthcare	$ 333,366	$ 855,000	$ (428,971)	$ 759,395
Communications	1,511	-	(1,511)	-
Economic justice	-	130,000	(69,269)	60,731
Fellowships	-	234,407	(89,476)	144,931
Immigration - DACA	6,833	-	(6,833)	-
Immigration - state and local policies	87,500	-	(87,500)	-
Immigration enforcement	-	260,316	(156,149)	104,167
Immigration policy and reforms	-	2,653,750	(2,072,093)	581,657
Immigration reform	245,410	-	(245,410)	-
Legal support services	76,769	162,825	(158,261)	81,333
Organization development	198,415	-	(79,165)	119,250
Subtotal	949,804	4,296,298	(3,394,638)	1,851,464
Time Restricted	852,500	2,980,000	(1,762,739)	2,069,761
Total	$ 1,802,304	$ 7,276,298	$ (5,157,377)	$ 3,921,225

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.

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.

Spending Policy and How Investment Objectives Relate to Spending Policy
The assets of the Funds s hall 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, 2016. 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, 2016.

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 a discretionary employer contributions of 2% of qualifying wages for employees with at least two years of continuous service. NILC contributed $51,708 to the Plan for the year ended June 30, 2016.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Obligations Under Operating Leases
NILC leases various facilities under operating leases with various terms through May 2021. Effective on March 27, 2015, NILC entered into a revised lease agreement for its Los Angeles office space, which included an expansion of its premises and extended the maturity date to February 2021. 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:

Years Ending June 30,	
2017	$ 413,206
2018	471,369
2019	484,538
2020	498,823
2021	325,643
Total	$ 2,193,579

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.