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

FINANCIAL STATEMENTS

For the Years Ended
June 30, 2017 and 2016

Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

C O N T E N T S

Gursey | Schneider LLP

CERTIFIED
PUBLIC ACCOUNTANTS
& ADVISORS

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

310 552 0960 ph
310 557 3468 fx

www.gursey.com

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, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 in the previous page are presented fairly in all material respects, the financial position of National Immigration Law Center as of June 30, 2017 and 2016, and the changes in its net assets, functional expenses and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Gursey | Schneider LLP

December 18, 2017
Los Angeles, California

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2017 and 2016

ASSETS

	2017	2016
Cash and cash equivalents	$ 6,987,331	$ 4,913,612
Investments	2,261,938	857,283
Grants receivable	3,758,276	1,881,449
Pledges receivable	-	12,668
Related party receivable	13,492	14,790
Prepaid expenses and other assets	104,861	75,421
Property and equipment, net	66,797	78,002
TOTAL ASSETS	$ 13,192,695	$ 7,833,225

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable and other accrued liabilities	$ 627,711	$ 632,264
Deferred rent	153,891	124,410
TOTAL LIABILITIES	781,602	756,674
NET ASSETS		
Unrestricted - undesignated	1,147,903	468,580
Unrestricted - board designated	3,482,122	1,686,746
Temporarily restricted	6,781,068	3,921,225
Permanently restricted	1,000,000	1,000,000
TOTAL NET ASSETS	12,411,093	7,076,551
TOTAL LIABILITIES AND NET ASSETS	$ 13,192,695	$ 7,833,225

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Grants	$ 200,000	$ 8,699,621	$ -	$ 8,899,621
Contributions	3,405,975	-	-	3,405,975
Special event income, net of $47,046 direct costs	158,528	-	-	158,528
Attorney fees awards	344,505	-	-	344,505
Investment income	22,977	-	-	22,977
Realized and unrealized gains, net	11,767	-	-	11,767
Training and conferences	6,621	-	-	6,621
Honorarium and other income	79,157	-	-	79,157
Subtotal	4,229,530	8,699,621	-	12,929,151
Net assets released from restrictions	5,839,778	(5,839,778)	-	-
Total Revenues and Support	10,069,308	2,859,843	-	12,929,151
EXPENSES				
Program services	6,098,007	-	-	6,098,007
General and administrative	989,215	-	-	989,215
Fundraising	507,387	-	-	507,387
Total Expenses	7,594,609	-	-	7,594,609
CHANGE IN NET ASSETS	2,474,699	2,859,843	-	5,334,542
NET ASSETS, Beginning of Year	2,155,326	3,921,225	1,000,000	7,076,551
NET ASSETS, End of Year	$ 4,630,025	$ 6,781,068	$ 1,000,000	$ 12,411,093

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Grants	$ -	$ 7,276,298	$ -	$ 7,276,298
Contributions	205,816	-	-	205,816
Special event income, net of $44,807 direct costs	196,188	-	-	196,188
Attorney fees awards	125,742	-	-	125,742
Investment income	6,840	-	-	6,840
Realized and unrealized gains, net	534	-	-	534
Training and conferences	10,860	-	-	10,860
Honorarium and other income	42,901	-	-	42,901
Subtotal	588,881	7,276,298	-	7,865,179
Net assets released from restrictions	5,157,377	(5,157,377)	-	-
Total Revenues and Support	5,746,258	2,118,921	-	7,865,179
EXPENSES				
Program services	5,440,411	-	-	5,440,411
General and administrative	544,589	-	-	544,589
Fundraising	312,176	-	-	312,176
Total Expenses	6,297,176	-	-	6,297,176
CHANGE IN NET ASSETS	(550,918)	2,118,921	-	1,568,003
NET ASSETS, Beginning of Year	2,706,244	1,802,304	1,000,000	5,508,548
NET ASSETS, End of Year	$ 2,155,326	$ 3,921,225	$ 1,000,000	$ 7,076,551

See Accompanying Notes to Financial Statements

NATIONAL IMMIGRATION LAW CENTER

(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services	General and Administrative	Fundraising	Total
Personnel:				
Salaries	$2,945,736	$ 470,465	$ 234,600	$3,650,801
Benefits and payroll taxes	516,591	82,479	41,507	640,577
Contract staff	737,651	102,754	75,314	915,719
Total personnel costs	4,199,978	655,698	351,421	5,207,097
Other Operating Expenses:				
Bank and payroll fees	23,289	10,711	57,277	91,277
Bar dues and memberships	20,342	4,355	64	24,761
Board support	30,173	4,819	2,403	37,395
Communication and telecommunication	98,729	20,829	10,107	129,665
Depreciation	23,587	3,768	1,878	29,233
Equipment maintenance and lease	21,856	3,506	1,725	27,087
Insurance	33,855	5,408	2,696	41,959
Legal and accounting fees	7,303	29,751	253	37,307
Library	45,830	1,545	1,484	48,859
Litigation	31,454	-	-	31,454
Marketing	4,250	-	6,280	10,530
Miscellaneous	27,482	7,369	6,504	41,355
Office supplies	42,592	25,353	5,667	73,612
Postage and shipping	3,080	10,442	8,365	21,887
Recruitment	-	4,958	-	4,958
Rent	299,297	161,905	19,204	480,406
Staff development	5,823	2,953	222	8,998
Staff meeting and retreats	34,919	8,821	1,133	44,873
Sub-grants to other organizations	725,144	-	12,500	737,644
Training and national conference	108,347	2,389	934	111,670
Travel	310,677	24,635	17,270	352,582
Total other operating expenses	1,898,029	333,517	155,966	2,387,512
Total Functional Expenses	$6,098,007	$ 989,215	$ 507,387	$7,594,609
% of Total Expenses	*80%*	*13%*	*7%*	*100%*

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended June 30, 2016

	Program Services	General and Administrative	Fundraising	Total
Personnel:				
Salaries	$2,703,253	$ 293,364	$ 173,175	$3,169,792
Benefits and payroll taxes	477,001	52,342	29,222	558,565
Contract staff	695,763	59,489	39,254	794,506
Total personnel costs	3,876,017	405,195	241,651	4,522,863
Other Operating Expenses:				
Bank and payroll fees	-	15,457	2,464	17,921
Bar dues and memberships	11,013	2,415	180	13,608
Board support	15,384	1,669	986	18,039
Communication and telecommunication	219,113	13,433	12,545	245,091
Depreciation	26,740	2,902	1,713	31,355
Development	69	-	-	69
Equipment maintenance and lease	16,654	1,807	1,067	19,528
Insurance	13,566	1,472	869	15,907
Legal and accounting fees	-	28,273	-	28,273
Library	39,463	927	123	40,513
Litigation	53,817	-	-	53,817
Marketing	1,400	-	5,747	7,147
Miscellaneous	10,739	1,444	4,754	16,937
Office supplies	26,000	22,842	4,669	53,511
Postage and shipping	2,958	544	4,718	8,220
Recruitment	-	7,781	-	7,781
Rent	406,045	21,478	12,584	440,107
Staff development	4,469	3,319	619	8,407
Staff meeting and retreats	39,477	4,991	1,900	46,368
Sub-grants to other organizations	472,835	-	-	472,835
Training and national conference	44,877	2,190	41	47,108
Travel	159,775	6,450	15,546	181,771
Total other operating expenses	1,564,394	139,394	70,525	1,774,313
Total Functional Expenses	$5,440,411	$ 544,589	$ 312,176	$6,297,176
% of Total Expenses	*86%*	*9%*	*5%*	*100%*

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 5,334,542	$ 1,568,003
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	29,233	31,355
Realized and unrealized gains on investments	(11,767)	534
(Increase) decrease in assets:		
Grants receivable	(1,876,827)	(427,594)
Pledges receivable	12,668	(2,226)
Related party receivable	1,298	(13,565)
Prepaid expenses and other assets	(29,440)	(14,945)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	(4,553)	205,521
Deferred rent	29,481	25,953
CASH PROVIDED BY OPERATING ACTIVITIES	3,484,635	1,373,036
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(18,028)	(81,926)
Net cash paid for purchases of investments	(1,392,888)	(82,241)
CASH USED FOR INVESTING ACTIVITIES	(1,410,916)	(164,167)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,073,719	1,208,869
CASH AND CASH EQUIVALENTS, Beginning of Year	4,913,612	3,704,743
CASH AND CASH EQUIVALENTS, End of Year	$ 6,987,331	$ 4,913,612

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 37 years, NILC has won landmark legal cases, with decisions that resulted in protecting fundamental rights and advancing 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 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.

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.

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.

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

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, 2017 and 2016 approximates its fair value.

Investments – NILC carries investments in marketable securities with readily determinable fair values, certificates of deposits with maturity dates greater than three months, and all investments in debt securities at their fair values in the statement of financial position. Purchases and sales of investments are recorded on the trade date. Dividend income is recorded based on the record date. Interest income is recorded as earned on an accrual basis. Bond premiums and discounts are amortized to the first call date using a method that approximates the effective interest method. Realized gains and losses are recorded upon disposition of securities. Investment income and realized and unrealized gains and losses are recognized as unrestricted net assets, unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

Risks and Uncertainties — NILC utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term. Such changes could materially affect the amounts reported in the statement of financial position.

Contributions and Grants Receivable – Unconditional contributions, including grants 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 grants (grants due over one year) are recorded as reductions to contribution revenue and grants receivable. Discounts increase contribution revenue when the grant is received.

At June 30, 2017 and 2016, NILC evaluated the collectability of grants receivable and no allowance for uncollectible grants was considered necessary. All grants receivable at June 30, 2017 and 2016 are expected to be collected within a year.

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 years ended June 30, 2017 and 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, 2017 and 2016, 57% and 79% of grants receivable were due from four and three donors, respectively.

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

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, 2013 with regard to all tax positions and results reported.

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 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.

Also, on August 18, 2016, the FASB issued new rules for nonprofit organizations under ASU 2016-14 "*Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*" ("NFP"). This ASU changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets.

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

Five significant changes included in ASU 2016-14 are:

1. The existing three-class system of classifying net assets as unrestricted, temporarily restricted and permanently restricted, will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.

2. The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards' policies or decisions to reduce or spend from these funds.

3. NFPs will be required to disclose in financial statement notes qualitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.

4. Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition to this change in the presentation of expenses, the method used to allocate costs among program and supporting activities functions is required to be disclosed.

5. Finally, NFP's may continue to present the statement of cash flows using either the direct or indirect method of reporting. However, under the new reporting standard, NFPs employing the direct method to report cash flow will no longer be required to provide a reconciliation of net income to the cash amounts presented under the indirect method.

The effective date ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments in this ASU is permitted. Management is currently evaluating the impact this change in accounting standards will have on the 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 December 18, 2017, the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

The following table represents information about the Organization's investments that are measured at fair value on a recurring basis at June 30, 2017 and 2016 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Fair Value Designation			
June 30, 2017	Level 1	Level 2	Level 3	Total
Fixed income	$ -	$ 1,291,430	$ -	$ 1,291,430
Equities	862,480	-	-	862,480
Subtotal	$ 862,480	$ 1,291,430	$ -	2,153,910
Certificates of deposit				108,028
Total Investments				$ 2,261,938

June 30, 2016	Total
Certificates of deposit	$ 857,283

The fair values of fixed income securities are determined by Level 2 inputs were valued utilizing observable data points such as interest rates and yield curves at June 30, 2017 and 2016.

Investment in certificates of deposit at June 30, 2017 and 2016 will mature as follows:

	2017	2016
Due within one year	$ 49,849	$ 604,081
Due within two years	58,179	199,159
Due within three years	-	54,043
Total	$ 108,028	$ 857,283

The cost basis and corresponding fair value of the Organization’s investment holdings as of June 30, 2017 and 2016 are summarized as follows:

June 30, 2017	Cost Basis	Fair Value
Certificates of deposit	$ 110,243	$ 108,028
Fixed income	1,285,937	1,291,430
Equities	836,590	862,480
Total	$ 2,232,770	$ 2,261,938

June 30, 2016	Cost Basis	Fair Value
Certificates of deposit	$ 857,283	$ 857,283

NOTE 3 – INVESTMENTS – (CONTINUED)

Investment income from investments for the year ended June 30, 2017 consist of interest income of $22,977 and net realized and unrealized gains of $11,767.

Investment income from investments for the year ended June 30, 2016 consist of interest income of $6,840 and net realized and unrealized gains 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 years ended June 30, 2017 and 2016, NILC charged IJF $106,753 and $21,740, respectively, for shared resources and, as a result, there was a receivable from the Fund of $13,492 at June 30, 2017 and $14,790 at June 30, 2016. The receivables are unsecured, bear interest at 0.5% per month, and will be settled during the ordinary course of business.

During the years ended June 30, 2017, NILC awarded a $231,954 grant to IJF for promoting and advancing just and humane immigration policies. As of June 30, 2017, NILC has an outstanding grant payable balance to IJF that totaled $13,492. There were no grants awarded in 2016.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 and 2016, consisted of the following:

	2017	2016
Furniture and office equipment	$ 272,714	$ 254,754
Leasehold improvements	29,423	29,423
Library and software	3,838	3,770
	305,975	287,947
Accumulated depreciation	(239,178)	(209,945)
Total	$ 66,797	$ 78,002

Depreciation expense for the years ended June 30, 2017 and 2016 was $29,233 and $31,355, respectively.

NOTE 6 – ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

Accounts payable and other accrued liabilities at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Trade payables	$ 204,654	$ 211,624
Compensated absences	338,847	288,741
Deferred revenue	11,950	77,800
Accrued wages and withholdings	58,012	52,563
All other	14,248	1,536
	$ 627,711	$ 632,264

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following as of June 30, 2017:

	June 30, 2016	Additions	Release	June 30, 2017
Program / Purpose Restricted				
Access to Healthcare	$ 759,395	$ 60,000	$ (614,905)	$ 204,490
Immigration Policy & Reforms	581,657	106,000	(625,465)	62,192
Public Charge	-	90,000	(35,450)	54,550
Immigration Enforcement	104,167	735,000	(656,048)	183,119
Legal Litigation	-	55,000	(9,538)	45,462
Organizational Development	119,250	-	(119,250)	-
Legal Services Support	81,333	205,351	(173,984)	112,700
Immigration-State/Local Policies	-	95,000	(95,000)	-
Fellowships	144,931	-	(121,187)	23,744
Economic Justice	60,731	488,008	(191,868)	356,871
Subtotal	1,851,464	1,834,359	(2,642,695)	1,043,128
Time Restricted	2,069,761	6,865,262	(3,197,083)	5,737,940
Total	$ 3,921,225	$ 8,699,621	$ (5,839,778)	$ 6,781,068

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.

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 unrestricted net assets that may be used 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:

<u>Long–term growth of capital</u> – 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.

<u>Preservation of purchasing power</u> – 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.

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
As of June 30, 2017, the endowment account consists of cash and cash equivalents, municipal and corporate bonds, and equity securities.

	Cost Basis	Fair Value
Cash	$ 59,472	$ 59,472
Fixed income	198,229	201,175
Equities	737,746	764,727
Total	$ 995,447	$ 1,025,374

At June 30, 2016, the endowment account consisted primarily of cash and cash equivalents.

During the year ended June 30, 2017, NILC had the following endowment-related activities:

Endowment Net Assets	Unrestricted	Permanently Restricted	Total
Beginning of year	$ -	$ 1,000,000	$ 1,000,000
Investment income	3,847	-	3,847
Investment fees	(1,198)		(1,198)
Net appreciation	22,725	-	22,725
End of year	$ 25,374	$ 1,000,000	$ 1,025,374

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, 2017 and 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 $54,309 and $51,708 to the Plan for the years ended June 30, 2017 and 2016, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Obligations Under Operating Leases - NILC leases various facilities under operating leases with various terms through March 2026. Subsequent to June 30, 2017, 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 March 2026. 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,	
2018	$ 560,115
2019	593,696
2020	611,256
2021	441,448
2022	119,279
Thereafter	480,265
Total	$ 2,806,059

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.