

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

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2018 and 2017**



Gurseley | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4 – 5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 22

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, 2018 and 2017, and the related statements of activities and changes in net assets, 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, 2018 and 2017, 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

January 11, 2019
Los Angeles, California

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2018 and 2017

ASSETS

	2018	2017
Cash and cash equivalents	\$ 15,406,224	\$ 6,987,331
Investments	3,467,386	2,261,938
Grants and contributions receivable	3,617,656	3,758,276
Related party receivable	40,353	13,492
Prepaid expenses and other assets	135,355	104,861
Property and equipment, net	108,646	66,797
TOTAL ASSETS	\$ 22,775,620	\$ 13,192,695

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,105,149	\$ 627,711
Deferred rent	284,785	153,891
TOTAL LIABILITIES	1,389,934	781,602

NET ASSETS

Unrestricted - undesignated	8,018,251	1,147,903
Unrestricted - board designated	4,388,211	3,482,122
Temporarily restricted	7,979,224	6,781,068
Permanently restricted	1,000,000	1,000,000
TOTAL NET ASSETS	21,385,686	12,411,093
TOTAL LIABILITIES AND NET ASSETS	\$ 22,775,620	\$ 13,192,695

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND SUPPORT				
Grants	\$ 4,734,500	\$ 10,415,545	\$ -	\$ 15,150,045
Contributions	4,544,284	200,000	-	4,744,284
Special event income, net of \$28,985 direct costs	23,499	-	-	23,499
Attorney fees awards	130,386	-	-	130,386
Investment income	73,724	-	-	73,724
Realized and unrealized gains, net	42,609	-	-	42,609
Training and conferences	146,255	-	-	146,255
Honorarium and other income	5,480	-	-	5,480
Subtotal	9,700,737	10,615,545	-	20,316,282
Net assets released from restrictions	9,417,389	(9,417,389)	-	-
Total Revenues and Support	19,118,126	1,198,156	-	20,316,282
EXPENSES				
Program services	9,070,736	-	-	9,070,736
General and administrative	1,338,163	-	-	1,338,163
Fundraising	932,790	-	-	932,790
Total Expenses	11,341,689	-	-	11,341,689
CHANGE IN NET ASSETS	7,776,437	1,198,156	-	8,974,593
NET ASSETS, Beginning of Year	4,630,025	6,781,068	1,000,000	12,411,093
NET ASSETS, End of Year	\$ 12,406,462	\$ 7,979,224	\$ 1,000,000	\$ 21,385,686

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statement of Activities and Changes in Net Assets
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	63,741	-	-	63,741
Honorarium and other income	22,037	-	-	22,037
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

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, 2018

	Program Services	General and Administrative	Fundraising	Total
Personnel:				
Salaries	\$ 3,926,073	\$ 529,590	\$ 465,541	\$ 4,921,204
Benefits and payroll taxes	744,569	107,420	88,971	940,960
Contract staff	1,629,928	202,961	100,849	1,933,738
Total Personnel Costs	6,300,570	839,971	655,361	7,795,902
Other Operating Expenses:				
Bank and payroll fees	29,647	19,171	4,239	53,057
Bar dues and memberships	12,241	10,264	19,272	41,777
Board support	62,332	8,408	7,391	78,131
Communication and telecommunication	194,895	21,675	24,762	241,332
Convening and conferences	43,998	57	386	44,441
Depreciation	27,936	3,768	3,313	35,017
Development	-	-	38,339	38,339
Equipment maintenance and lease	30,124	4,063	3,572	37,759
Insurance	35,890	4,841	4,256	44,987
Legal and accounting fees	200	42,145	-	42,345
Library	91,721	1,341	16,806	109,868
Litigation	140,971	-	-	140,971
Marketing	38,105	-	20,380	58,485
Miscellaneous	30,823	33,827	1,724	66,374
Office supplies	68,113	56,010	21,242	145,365
Postage and shipping	6,060	11,145	3,399	20,604
Recruitment	-	9,590	-	9,590
Rent	386,363	206,753	60,552	653,668
Staff development	13,266	702	650	14,618
Staff meeting and retreats	83,727	33,528	18,531	135,786
Sub-grants to other organizations	1,079,058	-	-	1,079,058
Travel	394,696	30,904	28,615	454,215
Total Other Operating Expenses	2,770,166	498,192	277,429	3,545,787
Total Functional Expenses	\$ 9,070,736	\$ 1,338,163	\$ 932,790	\$ 11,341,689
<i>% of Total Expenses</i>	<i>80%</i>	<i>12%</i>	<i>8%</i>	<i>100%</i>

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	2,945	36,945
Bar dues and memberships	20,342	4,703	64	25,109
Board support	30,173	4,819	2,403	37,395
Communication and telecommunication	106,272	20,829	10,107	137,208
Convening and conferences	108,347	2,389	934	111,670
Depreciation	23,587	3,768	1,878	29,233
Development	-	-	54,332	54,332
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	19,939	7,021	6,504	33,464
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
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
<i>% of Total Expenses</i>	<i>80%</i>	<i>13%</i>	<i>7%</i>	<i>100%</i>

See Accompanying Notes to Financial Statements

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 8,974,593	\$ 5,334,542
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	35,017	29,233
Realized and unrealized gains on investments, net	(42,609)	(11,767)
(Increase) decrease in assets:		
Grants and contributions receivable	140,620	(1,864,159)
Related party receivable	(26,861)	1,298
Prepaid expenses and other assets	(30,494)	(29,440)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	477,438	(4,553)
Deferred rent	130,894	29,481
	9,658,598	3,484,635
CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(76,866)	(18,028)
Net cash paid for purchases of investments	(1,162,839)	(1,392,888)
	(1,239,705)	(1,410,916)
CASH USED FOR INVESTING ACTIVITIES		
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,418,893	2,073,719
CASH AND CASH EQUIVALENTS, Beginning of Year	6,987,331	4,913,612
CASH AND CASH EQUIVALENTS, End of Year	\$ 15,406,224	\$ 6,987,331

See Accompanying Notes to Financial Statements

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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 policies that affect the ability of low-income immigrants to prosper and thrive. Over the last 39 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. These programs promote healthy lives and economic opportunities; paths to legal status and citizenship; counter punitive immigration enforcement policies; and support 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 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 cases related to immigration and civil rights. 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. 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.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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").

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 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 with a minimum of 4.5 months of annual operating expense. 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 (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 California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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

During the fiscal year ended June 30, 2018, NILC received a significant grant award from one foundation totaling \$7,050,000. The portion of the award for general support (\$4,734,500) is classified as unrestricted and the portion of the award for core organizational support (\$2,315,500) is classified under temporarily restricted net assets in the accompanying financial statements. Management intends to use the remaining core support funds over the next three fiscal years.

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, based on estimates determined by management. 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, 2018 and 2017 approximates its fair value.

Investments – NILC carries investments in marketable securities with readily determinable fair values, fixed income securities, and certificates of deposits with maturity dates greater than three months. All investments are reported 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 changes, credit availability, 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.

Pledges and Grants Receivable – Unconditional promises to give, 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.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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

At June 30, 2018 and 2017, NILC evaluated the collectability of grants and contributions receivable and no allowance for uncollectible grants was considered necessary. All grants and contributions receivable at June 30, 2018 are expected to be collected as follows:

Due within one year	\$ 2,767,656
Due within one to two years	<u>850,000</u>
 Total	 <u><u>\$ 3,617,656</u></u>

Property and Equipment – Property and equipment are stated at cost or, if contributed, at fair value at the date of contribution. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$1,000 and the useful life is greater than two years. 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. The Organization holds assets with estimate useful lives that 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, 2018 and 2017.

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

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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

Concentrations of Risks

Grants and contributions receivable – As of June 30, 2018 and 2017, 47% and 57% of grants and contributions receivable due were concentrated among two and four donors, respectively.

Contribution Revenues – For the year ended June 30, 2018, 41% of total revenues were received from two donors. For the year ended June 30, 2017, no donors comprised more than 10% of total revenues .

Financial instruments – 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.

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 recognizes 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 or derecognized tax benefits, tax penalties or related interest. The Organization's income tax returns remain subject to examination for all tax years ended on or after June 30, 2014 with regard to all tax positions and results reported.

Recently Issued Accounting Pronouncements – On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued new rules for non-for-profit organizations ("NFPs") under Accounting Standards Update ("ASU") 2016-14 "*Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities.*" ASU 2016-14 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.

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.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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

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 of ASU 2016-14 will be 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. Management is currently evaluating the impact these changes in accounting standards will have on the Organization's financial statements and related disclosures.

In May 2014, the 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. This 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. 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.

On June 21, 2018, the FASB completed its project on revenue recognition of grants and contracts by not-for-profit entities by issuing ASU 2018-08, "*Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*." The amendments provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

Specifically, the amendments provide

1. Clarification of how an NFP determines whether a resource provider is participating in an exchange transaction or a contribution,
2. Guidance for evaluating whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation, and

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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

3. Modification of the simultaneous release option currently in GAAP, which allows an NFP to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

ASU 2018-08 is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods beginning after December 15, 2019. Early adoption of the amendments in this update is permitted. Management is currently evaluating the impact these changes in accounting standards will have on the Organization’s financial statements and related disclosures.

Finally, in February 2016, the FASB issued ASU 2016-02, “Leases” (Topic 842). This pronouncement 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 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 January 11, 2019, the date the financial statements were available to be issued.

NOTE 3 – INVESTMENTS

The following tables represent information about the Organization's investments that are measured at fair value on a recurring basis and that indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value.

As of June 30, 2018, the Organization’s investments were classified by level within the valuation hierarchy as follows:

June 30, 2018	Fair Value Designation			Total
	Level 1	Level 2	Level 3	
Fixed income	\$ -	\$ 2,587,237	\$ -	\$ 2,587,237
Equities	880,149	-	-	880,149
Total Investments	<u>\$ 880,149</u>	<u>\$ 2,587,237</u>	<u>\$ -</u>	<u>\$ 3,467,386</u>

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 3 – INVESTMENTS – (CONTINUED)

As of June 30, 2017, NILC's investments were classified by level within the valuation hierarchy as follows:

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

The fair values of fixed income securities determined by Level 2 inputs were valued utilizing observable data points such as interest rates and yield curves at June 30, 2018 and 2017.

During the year ended June 30, 2018, the Organization redeemed all certificates of deposit.

The cost basis and corresponding fair value of the Organization's investment holdings as of June 30, 2018 and 2017 are summarized as follows:

	June 30, 2018		June 30, 2017	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Certificates of deposit	\$ -	\$ -	\$ 110,243	\$ 108,028
Fixed income	2,614,142	2,587,237	1,285,937	1,291,430
Equities	813,452	880,149	836,590	862,480
Total	<u>\$ 3,427,594</u>	<u>\$ 3,467,386</u>	<u>\$ 2,232,770</u>	<u>\$ 2,261,938</u>

NOTE 4 – RELATED PARTY TRANSACTIONS

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 have 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.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 4 – RELATED PARTY TRANSACTIONS – (CONTINUED)

During the years ended June 30, 2018 and 2017, NILC charged IJF \$271,210 and \$106,753, respectively, for shared resources. This amount includes \$26,110 of special event expenses in 2018.

At June 30, 2018 and at June 30, 2017 there was a receivable from IJF of \$40,353 and \$13,492, respectively. The receivables are unsecured, bear interest at 0.5% per month and are settled during the ordinary course of business. NILC collected these receivable balances from IJF subsequent to each respective fiscal year end.

During the years ended June 30, 2018, NILC awarded a \$309,606 grant to IJF for promoting and advancing just and humane immigration policies. As of June 30, 2018, NILC had an outstanding grant payable balance to IJF that totaled \$16,438. The balance was paid subsequent to June 30, 2018.

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 had an outstanding grant payable balance to IJF that totaled \$13,492. The balance was paid subsequent to June 30, 2017.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and at June 30, 2017 consisted of:

	June 30,	
	2018	2017
Furniture and office equipment	\$ 313,408	\$ 272,714
Leasehold improvements	64,376	29,423
Library and software	5,057	3,838
	382,841	305,975
Accumulated depreciation	(274,195)	(239,178)
Total property and equipment, net	\$ 108,646	\$ 66,797

Depreciation expense for the years ended June 30, 2018 and 2017 was \$35,017 and \$29,233, respectively.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 6 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2018 and 2017 consisted of:

	June 30,	
	2018	2017
Trade payables	\$ 598,208	\$ 204,654
Compensated absences	465,215	338,847
Deferred revenue	-	11,950
Accrued wages and withholdings	39,754	58,012
All other	1,972	14,248
	<u>1,105,149</u>	<u>627,711</u>
Total	<u>\$ 1,105,149</u>	<u>\$ 627,711</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets included the following as of June 30, 2018:

	June 30, 2017	Additions	Releases	June 30, 2018
Access to Healthcare	\$ 204,491	\$ 885,000	\$ (430,199)	\$ 659,292
Communications	-	70,000	(60,000)	10,000
Defend Our Dreams Campaign	-	1,268,500	(1,047,711)	220,789
Economic Justice	356,871	-	(93,863)	263,008
Fellowships	23,744	210,666	(76,863)	157,547
Immigration Enforcement Reforms	227,863	185,000	(380,224)	32,639
Immigration Policy and Reforms	17,447	-	(17,447)	-
Leadership Development	-	100,000	(4,356)	95,644
Legal Defense	45,462	-	(45,462)	-
Legal Services Support	112,700	253,379	(239,461)	126,618
No Muslim Ban Ever Campaign	-	1,089,000	(997,663)	91,337
Core Organizational Support	-	2,315,500	(498,000)	1,817,500
Protecting Immigrant Families Campaign	54,550	255,000	(216,502)	93,048
State/Local Immigration Policies	-	95,000	(95,000)	-
Winning in the States Initiative	-	50,000	(50,000)	-
	<u>1,043,128</u>	<u>6,777,045</u>	<u>(4,252,751)</u>	<u>3,567,422</u>
Subtotal	1,043,128	6,777,045	(4,252,751)	3,567,422
Time Restricted	<u>5,737,940</u>	<u>3,838,500</u>	<u>(5,164,638)</u>	<u>4,411,802</u>
Total	<u>\$ 6,781,068</u>	<u>\$ 10,615,545</u>	<u>\$ (9,417,389)</u>	<u>\$ 7,979,224</u>

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 8 – ENDOWMENT

The Organization's endowment fund, the Special Operating Reserve ("SOR" or "Fund"), was established in 2013 with a contribution of \$1,000,000 from a foundation. The purpose of the endowment 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. The endowment 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 donor-restricted endowment funds
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 investment policies of the Organization

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 assets. Risk control is an important element in the investment of assets.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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 Annual Activity

As of June 30, 2018, the endowment account consists of cash and cash equivalents, municipal and corporate bonds, and equity securities.

	June 30, 2018	
	Cost Basis	Fair Value
Cash	\$ 55,299	\$ 55,299
Fixed income	195,788	197,896
Equities	813,452	880,149
Total	\$ 1,064,539	\$ 1,133,344

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

	June 30, 2017	
	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

During the year ended June 30, 2018, NILC had the following endowment-related activities:

Endowment Net Assets	Unrestricted	Permanently Restricted	Total
Beginning of year	\$ 25,374	\$ 1,000,000	\$ 1,025,374
Investment income	4,339	-	4,339
Investment fees	(5,351)	-	(5,351)
Net appreciation	108,982	-	108,982
End of year	\$ 133,344	\$ 1,000,000	\$ 1,133,344

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 8 – ENDOWMENT – (CONTINUED)

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

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

From time to time, the fair value of assets associated with individual donor–restricted endowment funds may fall below the level that the donor stipulated to be of perpetual duration. There were no deficiencies of this nature as of June 30, 2018 and 2017.

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. As of June 30, 2018, eligible employees were required to have at least one year of continuous service. Participants may elect to defer 20% of their salary, depending on years of service and subject to the maximum exclusion determined by the Internal Revenue Code. During the year ended June 30, 2018, NILC increased its discretionary employer contributions from 2% to a contribution rate of 4% for qualifying wages of participating employees. NILC contributed \$97,723 and \$54,309 to the Plan for the years ended June 30, 2018 and 2017, 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, 2018, 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:

<u>Years Ending June 30,</u>	
2019	\$ 620,514
2020	776,605
2021	818,352
2022	841,097
2023	864,302
Thereafter	<u>2,651,912</u>
Total	<u>\$ 6,572,782</u>

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 10 – COMMITMENTS AND CONTINGENCIES – (CONTINUED)

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.