

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

**FINANCIAL STATEMENTS**

**For the Years Ended  
June 30, 2020 and 2019**



**Gurseley | Schneider** LLP  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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## **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, 2020 and 2019, 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, 2020 and 2019, 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.

## **Subsequent Events and Uncertainties**

As discussed in Note 12 to the financial statements, on March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

*Gursey | Schneider LLP*

February 2, 2021  
Los Angeles, California

**NATIONAL IMMIGRATION LAW CENTER**  
(A California Nonprofit Public Benefit Corporation)  
Statements of Financial Position  
June 30, 2020 and 2019

	2020	2019
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 12,234,700	\$ 11,745,305
Investments	11,083,072	9,575,871
Grants and contributions receivable	6,441,199	5,033,258
Related party receivable	231,247	27,776
Prepaid expenses and other assets	284,318	333,844
Property and equipment, net	472,881	535,762
<b>TOTAL ASSETS</b>	<b>\$ 30,747,417</b>	<b>\$ 27,251,816</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,712,508	\$ 1,185,977
Paycheck Protection Program loan	1,138,200	-
Deferred rent and lease incentives	1,131,135	996,672
<b>TOTAL LIABILITIES</b>	<b>3,981,843</b>	<b>2,182,649</b>
<b>NET ASSETS</b>		
Without donor restriction - undesignated	7,683,716	8,791,181
Without donor restriction - board designated	5,720,323	4,388,211
With donor restriction	13,361,535	11,889,775
<b>TOTAL NET ASSETS</b>	<b>26,765,574</b>	<b>25,069,167</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 30,747,417</b>	<b>\$ 27,251,816</b>

See Accompanying Notes to Financial Statements

**NATIONAL IMMIGRATION LAW CENTER**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2020

	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES AND SUPPORT</b>			
Grants	\$ -	\$ 13,291,079	\$ 13,291,079
Contributions	4,576,603	-	4,576,603
Special event income, net of \$54,080 direct costs	49,320	-	49,320
Investment income, net	293,471	-	293,471
Training and conferences	74,618	-	74,618
Honorarium and rental income	34,210	-	34,210
	5,028,222	13,291,079	18,319,301
Subtotal			
Net assets released from restrictions	11,819,319	(11,819,319)	-
	16,847,541	1,471,760	18,319,301
<b>Total Revenues and Support</b>			
<b>EXPENSES</b>			
Program services	12,987,357	-	12,987,357
General and administrative	2,283,751	-	2,283,751
Fundraising	1,351,786	-	1,351,786
	16,622,894	-	16,622,894
<b>Total Expenses</b>			
<b>CHANGE IN NET ASSETS</b>	224,647	1,471,760	1,696,407
<b>NET ASSETS, Beginning of Year</b>	13,179,392	11,889,775	25,069,167
<b>NET ASSETS, End of Year</b>	\$ 13,404,039	\$ 13,361,535	\$ 26,765,574

See Accompanying Notes to Financial Statements

**NATIONAL IMMIGRATION LAW CENTER**  
(A California Nonprofit Public Benefit Corporation)  
Statement of Activities and Changes in Net Assets  
For the Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
<b>REVENUES AND SUPPORT</b>			
Grants	\$ -	\$ 10,149,220	\$ 10,149,220
Contributions	4,951,081	-	4,951,081
Attorney fees awards	1,102,136	-	1,102,136
Investment income, net	326,498	-	326,498
Training and conferences	160,000	-	160,000
Honorarium and other income	31,801	-	31,801
Subtotal	6,571,516	10,149,220	16,720,736
Net assets released from restrictions	11,571,169	(11,571,169)	-
<b>Total Revenues and Support</b>	<b>18,142,685</b>	<b>(1,421,949)</b>	<b>16,720,736</b>
<b>EXPENSES</b>			
Program services	10,200,306	-	10,200,306
General and administrative	1,786,322	-	1,786,322
Fundraising	1,050,627	-	1,050,627
<b>Total Expenses</b>	<b>13,037,255</b>	<b>-</b>	<b>13,037,255</b>
<b>CHANGE IN NET ASSETS</b>	<b>5,105,430</b>	<b>(1,421,949)</b>	<b>3,683,481</b>
<b>NET ASSETS, Beginning of Year</b>	<b>8,073,962</b>	<b>13,311,724</b>	<b>21,385,686</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 13,179,392</b>	<b>\$ 11,889,775</b>	<b>\$ 25,069,167</b>

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, 2020

	Program Services	General and Administrative	Fundraising	Total
<b>Personnel:</b>				
Salaries	\$ 5,001,103	\$ 1,077,542	\$ 716,037	\$ 6,794,682
Benefits and payroll taxes	997,300	297,911	140,658	1,435,869
<b>Total Personnel Costs</b>	<b>5,998,403</b>	<b>1,375,453</b>	<b>856,695</b>	<b>8,230,551</b>
<b>Other Operating Expenses:</b>				
Bank and payroll fees	30,677	13,095	4,070	47,842
Bar dues and memberships	27,201	11,347	1,957	40,505
Board support	34,071	8,121	4,520	46,712
Communication and telecommunication	262,616	22,505	17,032	302,153
Convening and conferences	99,298	3,265	1,897	104,460
Consultants and contract services	2,456,436	156,298	200,377	2,813,111
Depreciation	97,096	23,143	12,881	133,120
Donation fees and other	-	-	33,950	33,950
Equipment maintenance and lease	14,028	3,344	1,861	19,233
Insurance	56,217	13,400	7,458	77,075
Legal and accounting fees	-	64,516	-	64,516
Library	86,895	2,996	5,008	94,899
Litigation	92,889	-	-	92,889
Marketing	22,242	38	18,162	40,442
Miscellaneous	3,328	3,113	647	7,088
Office supplies	86,153	67,968	31,955	186,076
Postage and shipping	942	15,940	20,119	37,001
Recruitment	-	42,325	-	42,325
Rent	452,504	358,705	88,829	900,038
Staff development	46,380	11,055	6,153	63,588
Staff meeting and retreats	146,895	43,280	17,943	208,118
Sub-grants to other organizations	2,722,870	-	-	2,722,870
Taxes	-	8,724	-	8,724
Travel	250,216	35,120	20,272	305,608
<b>Total Other Operating Expenses</b>	<b>6,988,954</b>	<b>908,298</b>	<b>495,091</b>	<b>8,392,343</b>
<b>Total Functional Expenses</b>	<b>\$ 12,987,357</b>	<b>\$ 2,283,751</b>	<b>\$ 1,351,786</b>	<b>\$ 16,622,894</b>
<i>% of Total Expenses</i>	<i>78%</i>	<i>14%</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, 2019

	Program Services	General and Administrative	Fundraising	Total
<b>Personnel:</b>				
Salaries	\$ 4,609,557	\$ 785,849	\$ 605,755	\$ 6,001,161
Benefits and payroll taxes	899,279	165,743	118,375	1,183,397
<b>Total Personnel Costs</b>	<b>5,508,836</b>	<b>951,592</b>	<b>724,130</b>	<b>7,184,558</b>
<b>Other Operating Expenses:</b>				
Bank and payroll fees	33,753	12,738	4,212	50,703
Bar dues and memberships	22,886	11,470	10,152	44,508
Board support	13,872	2,902	1,731	18,505
Communication and telecommunication	160,436	16,975	13,862	191,273
Convening and conferences	147,462	4,860	1,664	153,986
Consultants and contract services	1,661,045	158,036	63,996	1,883,077
Depreciation	67,504	14,122	8,424	90,050
Donation fees and other	-	-	39,417	39,417
Equipment maintenance and lease	25,449	5,324	3,176	33,949
Insurance	39,044	8,169	4,872	52,085
Legal and accounting fees	1,317	58,319	-	59,636
Library	94,268	1,366	2,910	98,544
Litigation	80,178	-	-	80,178
Marketing	64,615	-	35,208	99,823
Miscellaneous	919	3,009	15	3,943
Office supplies	140,075	35,681	22,974	198,730
Postage and shipping	4,199	13,171	3,738	21,108
Recruitment	-	16,096	-	16,096
Rent	418,792	320,792	61,338	800,922
Scholarships and fellowships	21,000	-	-	21,000
Staff development	6,990	1,711	301	9,002
Staff meeting and retreats	43,812	94,580	4,616	143,008
Sub-grants to other organizations	1,329,620	-	-	1,329,620
Taxes	11,627	1,982	1,528	15,137
Travel	302,607	53,427	42,363	398,397
<b>Total Other Operating Expenses</b>	<b>4,691,470</b>	<b>834,730</b>	<b>326,497</b>	<b>5,852,697</b>
<b>Total Functional Expenses</b>	<b>\$ 10,200,306</b>	<b>\$ 1,786,322</b>	<b>\$ 1,050,627</b>	<b>\$ 13,037,255</b>
<i>% of Total Expenses</i>	<i>78%</i>	<i>14%</i>	<i>8%</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, 2020 and 2019

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 1,696,407	\$ 3,683,481
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	133,120	90,050
Realized and unrealized losses on investments, net	197,618	26,734
(Increase) decrease in assets:		
Grants and contributions receivable	(1,407,941)	(1,415,602)
Related party receivable	(203,471)	7,548
Prepaid expenses and other assets	49,526	(198,489)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	526,531	85,857
Deferred rent and lease incentives	134,463	286,736
	<b>1,126,253</b>	<b>2,566,315</b>
<b>CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(70,239)	(92,015)
Proceeds from sale of investments	5,158,305	-
Cash paid for purchases of investments	(6,863,124)	(6,135,219)
	<b>(1,775,058)</b>	<b>(6,227,234)</b>
<b>CASH USED FOR INVESTING ACTIVITIES</b>		
<b>CASH FLOWS PROVIDED BY FINANCING ACTIVITY</b>		
Proceeds from Paycheck Protection Program loan	1,138,200	-
	<b>1,138,200</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>489,395</b>	<b>(3,660,919)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>11,745,305</b>	<b>15,406,224</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 12,234,700</b>	<b>\$ 11,745,305</b>

See Accompanying Notes to Financial Statements

**NATIONAL IMMIGRATION LAW CENTER**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2020 and 2019

**NOTE 1 – DESCRIPTION OF ORGANIZATION**

*Mission and History*

Established in 1979, the National Immigration Law Center (the “Organization” or NILC) is the leading national legal advocacy organization in the U.S. exclusively dedicated to defending and advancing the rights and opportunities of the most vulnerable immigrants and their loved ones. Believing that everyone living in the U.S. should have equal access to justice, resources, and economic opportunities that allow them to achieve their full human potential, NILC advances its mission through a racial, economic, and gender justice and equity lens, and works to challenge laws and policies that contribute to systemic inequities. Over the past four decades, NILC’s litigation, advocacy, communications, and coalition-building efforts have helped make it possible for low-income immigrants to sustain healthy and secure lives.

*Organizational Goals and Strategies*

NILC’s program priorities are focused on minimizing structural barriers to economic security that low-income immigrant families face on a daily basis and expanding their access to services and opportunities to thrive. With a people-centered (rather than policy-focused) orientation, the strategic framework guiding NILC’s work is focused on advancing transformational social change. The organization uses three, interconnected strategies to advance its mission: legal and policy advocacy to advance progressive, systemic policy solutions; movement-building to help build a healthier and more powerful immigrant justice movement; and narrative and culture change to shift public debate toward the notion that - no matter where a person is born or how much money they have - everyone has an equitable stake in shaping the country’s future.

*Qualifications, Reputation and Leadership Role*

NILC is a prominent leader in the immigrant justice movement, using its unparalleled authority on laws and public policy to ensure low-income immigrants across the country are treated with dignity and have the freedom and opportunity to thrive. Over the last four decades, NILC has played a central role in shaping progressive policies, initiating creative litigation strategies that expand opportunities for immigrant families with low-incomes, and shaping groundbreaking research on messages that give advocates, policymakers, and other key spokespeople the tools they need to speak persuasively about the important and positive role that low-income immigrants play in U.S. society. NILC also roots its work in core values of partnership and shared leadership with directly affected communities. The organization is widely respected as being a trusted, collaborative partner skilled at shared leadership. NILC staff is committed to coalition-building and collaboration and believe strongly in lending legal and policy expertise to support organizing campaigns that build power locally. Over the years, NILC has also played a critical role in supporting emerging leaders and empowering them to build sustainable organizations.

**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”).

**NATIONAL IMMIGRATION LAW CENTER**  
(A California Nonprofit Public Benefit Corporation)  
Notes to Financial Statements  
June 30, 2020 and 2019

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

**Restated Net Asset Classification** – During the fiscal year ended June 30, 2020, management discovered that one grant received in fiscal year ended June 30, 2018 was improperly classified as without having donor restrictions. The table below summarizes the impact of reclassifying the grant as of June 30, 2018 and 2019. This change did not affect the results of operations or cash flows.

	Without Donor Restriction	With Donor Restriction	Total
As reported - June 30, 2018	\$ 12,406,462	\$ 8,979,224	\$ 21,385,686
Reclassification	(4,332,500)	4,332,500	-
As adjusted - June 30, 2018	<u>\$ 8,073,962</u>	<u>\$ 13,311,724</u>	<u>\$ 21,385,686</u>
As reported - June 30, 2019	\$ 15,402,730	\$ 9,666,437	\$ 25,069,167
Reclassification	(2,223,338)	2,223,338	-
As adjusted - June 30, 2019	<u>\$ 13,179,392</u>	<u>\$ 11,889,775</u>	<u>\$ 25,069,167</u>

**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:

- *Without Donor Restriction* – 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. Net assets without donor restriction generally result from contributions and revenues generated by receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.
- *Without Donor Restrictions – Board Designated* – The Board has adopted a policy that the Organization maintain a reserve fund with a minimum of 6 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.

**NATIONAL IMMIGRATION LAW CENTER**  
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Notes to Financial Statements  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

- *With Donor Restriction* – The Organization reports gifts of cash and other assets as support with donor restriction 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, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from program or time restrictions. Donor restrictions may also result in permanently restricted net assets, where 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.

**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 support without donor restriction or support with donor restriction, 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), restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

On July 1, 2019, the Organization adopted Accounting Standards Update (“ASU”) 2014-09, “*Revenue from Contracts with Customers*,” as codified in ASC 606, by applying the modified retrospective method. The Organization evaluated its revenue streams to identify whether each stream would be subject to the provisions of ASC 606 and any differences in the timing, measurement, or presentation of revenue recognition compared to ASC 605, “*Revenue Recognition*” (“ASC 605”). Based on the assessment of the Organization’s revenue streams, there was no effect as a result of the Organization’s adoption of ASC 606.

On July 1, 2019, the Organization also adopted ASU 2018-08, “*Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.” This standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return from the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The Organization adopted this standard on a modified prospective basis with no effect upon adoption.

The effect of the adoption of ASC 606 and ASU 2018-08 on the Organization’s financial statements were examined in conjunction with one another. The Organization’s revenue-producing arrangements do not meet the definition of contracts under ASC 606, as the arrangements do not have commercial substance and do not meet the definition of an exchange transaction under the clarified guidance in ASU 2018-08. As such, under the clarified guidance, the grant and support transactions were determined to constitute contributions per ASU 2018-08.

**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.

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Notes to Financial Statements  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**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 occupancy related costs are allocated based on office space utilization.

**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, 2020 and 2019 approximates its fair value.

**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.

**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.

At June 30, 2020 and 2019, 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, 2020 are expected to be collected as follows:

Due within one year	\$ 5,491,199
Due within one to two years	<u>950,000</u>
Total	<u><u>\$ 6,441,199</u></u>

**NATIONAL IMMIGRATION LAW CENTER**  
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Notes to Financial Statements  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**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 8 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, 2020 and 2019. During the year ended June 30, 2020, the Organization disposed of \$220,117 fully depreciated furniture and fixtures.

**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.

**Concentrations of Risks**

*Grants and contributions receivable* – As of June 30, 2020 and 2019, 59% and 43% of grants and contributions receivable due were concentrated among two donors.

*Contribution Revenues* – For the year ended June 30, 2020, one anonymous donor comprised more than 10% of total revenues. For the year ended June 30, 2019, no donors comprised more than 10% of total revenues.

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

*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 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.

Substantially all of the Organization's security positions are held by one brokerage firm. The Organization is subject to credit risk to the extent any investment manager or broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The Organization monitors the financial condition of the investment manager and its practices for the selection of brokers and does not anticipate any losses from any of these counterparties.

**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 but is subject to unrelated business income tax for income from operating activities not related to their exempt purpose. Unrelated business income is taxed based on the applicable statutory federal and state income tax rates for for-profit organizations. 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, 2017 with regard to all tax positions and results reported.

**Recently Issued Accounting Pronouncements** – 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, 2021 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.

**Reclassifications** – Certain amounts from prior year have been reclassified to conform to the current year presentation.

**Subsequent Events** – Subsequent events have been evaluated through February 2, 2021, the date the financial statements were available to be issued.



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**NOTE 3 – LIQUIDITY AND AVAILABLE RESOURCES**

Financial assets consist of the Organization’s cash and cash equivalents, investments, and net grants and contributions receivable. The following represents the Organization’s financial assets available to meet cash needs for general expenditures within one year as of June 30, 2020 and 2019. Financial assets are considered unavailable if not liquid or convertible within one year.

Cash and cash equivalents	\$ 12,234,700	\$ 11,745,305
Investments	11,083,072	9,575,871
Grants and contributions receivables due within one year	<u>5,491,199</u>	<u>3,908,258</u>
Subtotal	28,808,971	25,229,434
Less: Amounts restricted by donors	(13,361,535)	(11,889,775)
Less: Amounts designated by board for long-term purposes	<u>(5,720,323)</u>	<u>(4,388,211)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,727,113</u>	<u>\$ 8,951,448</u>

The Organization considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Organization manages its liquidity and reserves by following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that obligations will be discharged.

Although the Organization does not intend to spend from its board-designated funds, in the event the need arises to utilize board-designated funds for liquidity purposes, the board-designated funds could be drawn upon through board resolution.

**NOTE 4 – 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. NILC’s investments were classified by level within the valuation hierarchy as follows:

June 30, 2020	Fair Value Designation			Total
	Level 1	Level 2	Level 3	
Fixed income	\$ 4,035,964	\$ 5,696,976	\$ -	\$ 9,732,940
Equities	<u>1,350,132</u>	<u>-</u>	<u>-</u>	<u>1,350,132</u>
	<u>\$ 5,386,096</u>	<u>\$ 5,696,976</u>	<u>\$ -</u>	<u>\$ 11,083,072</u>

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**NOTE 4 – INVESTMENTS – (CONTINUED)**

June 30, 2019	Fair Value Designation			Total
	Level 1	Level 2	Level 3	
Fixed income	\$ -	\$ 8,516,088	\$ -	\$ 8,516,088
Equities	1,059,783	-	-	1,059,783
	<u>\$ 1,059,783</u>	<u>\$ 8,516,088</u>	<u>\$ -</u>	<u>\$ 9,575,871</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, 2020 and 2019.

The cost basis and corresponding fair value of the Organization’s investment holdings as of June 30, 2020 and 2019 are summarized as follows:

	June 30, 2020		June 30, 2019	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Fixed income	\$ 9,896,697	\$ 9,732,940	\$ 8,508,388	\$ 8,516,088
Equities	1,128,431	1,350,132	963,431	1,059,783
	<u>\$ 11,025,128</u>	<u>\$ 11,083,072</u>	<u>\$ 9,471,819</u>	<u>\$ 9,575,871</u>

Net investment income is summarized as follows:

	Years Ended June 30,	
	2020	2019
Interest and dividends	\$ 502,883	\$ 364,656
Realized gains and losses, net	(100,117)	48,620
Unrealized gains and losses, net	(97,501)	(75,354)
Investment fees	(11,794)	(11,424)
Total	<u>\$ 293,471</u>	<u>\$ 326,498</u>

**NOTE 5 – RELATED PARTY TRANSACTIONS**

Established in 2013 as the 501(c)(4) affiliate of NILC, the NILC Immigrant Justice Fund’s (“IJF”) mission is focused on building immigrant power and advancing effective and fair immigration policy through civic engagement campaigns.

NILC and IJF entered into a Resource Sharing Agreement for the reasonable allocation between the parties of the expense associated with the use of shared resources. The parties share office space, furniture and equipment and certain human resources.

During the years ended June 30, 2020 and 2019, NILC charged IJF \$763,367 and \$294,748, respectively, for shared resources.

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**NOTE 5 – RELATED PARTY TRANSACTIONS – (CONTINUED)**

At June 30, 2020 and at June 30, 2019, IJF owed NILC \$231,137 and \$27,776, 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, 2020 and 2019, NILC awarded a \$900,000 grant and a \$450,000 grant, respectively to IJF for promoting and advancing just and humane immigration policies.

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2020 and 2019 consisted of:

	June 30,	
	2020	2019
Furniture and office equipment	\$ 247,784	\$ 401,673
Leasehold improvements	489,526	489,526
Library and software	10,049	8,807
	747,359	900,006
Accumulated depreciation	(274,478)	(364,244)
Total property and equipment, net	<u>\$ 472,881</u>	<u>\$ 535,762</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$133,120 and \$90,050, respectively.

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

Accounts payable and accrued liabilities at June 30, 2020 and 2019 consisted of:

	June 30,	
	2020	2019
Trade payables	\$ 942,660	\$ 612,377
Accrued vacation	669,797	501,537
Deferred revenue	-	9,150
Accrued wages and withholdings	100,051	50,719
All other	-	12,194
Total	<u>\$ 1,712,508</u>	<u>\$ 1,185,977</u>

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**NOTE 8 – LONG-TERM DEBT – PAYCHECK PROTECTION PROGRAM LOAN**

On May 12, 2020, NILC borrowed \$1,138,200 under the Paycheck Protection Program (“PPP”) offered by the United States Small Business Administration (“SBA”). The interest rate on the loan is 1.0% per annum. The loan matures May 12, 2022 (“Maturity Date”).

According to the loan agreement, the first six months of interest were to be deferred to and payable on the Maturity Date and monthly interest payments were to commence seven months after the date of the loan. However, on June 5, 2020, the President signed into law the Paycheck Protection Program Flexibility Act of 2020 (“Flexibility Act”) which statutorily extended the covered period of the loan from 8 weeks to 24 weeks from the date of loan origination. The Flexibility Act also extended the deferral period of principal and interest for up to ten months after this 24-week covered period, or the date that the SBA forgives the loan. All principal and accrued interest payments are otherwise due on the Maturity Date. Management intends to satisfy all PPP requirements to obtain loan forgiveness for the entire loan and accrued interest amount.

**NOTE 9 – NET ASSETS WITH DONOR RESTRICTION**

Net assets with donor restriction included the following changes as of June 30, 2020 and 2019:

	June 30, 2019	Additions	Releases	June 30, 2020
Purpose restricted	\$ 3,078,370	\$ 4,537,767	\$ (4,058,637)	\$ 3,557,500
Time restricted	7,811,405	8,753,312	(7,760,682)	8,804,035
Permanently restricted	1,000,000	-	-	1,000,000
	<u>\$ 11,889,775</u>	<u>\$ 13,291,079</u>	<u>\$ (11,819,319)</u>	<u>\$ 13,361,535</u>
	June 30, 2018	Additions	Releases	June 30, 2019
Purpose restricted	\$ 3,567,422	\$ 2,583,792	\$ (3,072,844)	\$ 3,078,370
Time restricted	8,744,302	7,565,428	(8,498,325)	7,811,405
Permanently restricted	1,000,000	-	-	1,000,000
	<u>\$ 13,311,724</u>	<u>\$ 10,149,220</u>	<u>\$ (11,571,169)</u>	<u>\$ 11,889,775</u>

**NOTE 10 – 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.

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**NOTE 10 – ENDOWMENT – (CONTINUED)**

*Interpretation of Laws and Accounting Guidance*

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

*Spending Policy and How Investment Objectives Relate to Spending Policy*

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

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**NOTE 10 – ENDOWMENT – (CONTINUED)**

*Composition of Endowment and Annual Activity*

As of June 30, 2020 and 2019, the endowment account consists of cash and cash equivalents, and equity securities.

	June 30, 2020		June 30, 2019	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Cash	\$ 29,425	\$ 29,425	\$ 162,816	\$ 162,815
Equities	1,128,431	1,350,132	963,431	1,059,783
Total	<u>\$ 1,157,856</u>	<u>\$ 1,379,557</u>	<u>\$ 1,126,247</u>	<u>\$ 1,222,598</u>

During the year ended June 30, 2020, NILC had the following endowment-related activities:

Endowment Net Assets	Without Donor Restriction	With Donor Restriction	Total
Beginning of year	\$ 222,598	\$ 1,000,000	\$ 1,222,598
Investment income	18,822	-	18,822
Investment fees	(11,794)	-	(11,794)
Net appreciation	149,931	-	149,931
End of year	<u>\$ 379,557</u>	<u>\$ 1,000,000</u>	<u>\$ 1,379,557</u>

During the year ended June 30, 2019, NILC had the following endowment-related activities:

Endowment Net Assets	Without Donor Restriction	With Donor Restriction	Total
Beginning of year	\$ 133,344	\$ 1,000,000	\$ 1,133,344
Investment income	22,633	-	22,633
Investment fees	(11,424)	-	(11,424)
Net appreciation	78,045	-	78,045
End of year	<u>\$ 222,598</u>	<u>\$ 1,000,000</u>	<u>\$ 1,222,598</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, 2020 and 2019.

**NOTE 11 – PENSION PLAN**

NILC has a tax deferred annuity retirement plan under IRC Section 403(b). The plan covers all eligible employees of NILC as of their first day of employment. 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. In fiscal year 2020, NILC made a non-elective employer contribution of up to 4.0% of annual compensation. NILC contributed discretionary employer contributions of \$218,331 and \$179,185 to the Plan for the years ended June 30, 2020 and 2019, respectively.

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**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**Obligations Under Operating Leases** - NILC leases various facilities under operating leases with various terms through July 2026. Future minimum payments, by year and in aggregate, under these leases, with initial or remaining terms of one year or more consist of the following:

<u>Years Ending June 30,</u>	
2021	\$ 710,541
2022	405,129
2023	415,256
2024	425,814
2025	436,281
Thereafter	<u>485,380</u>
Total	<u><u>\$ 2,878,401</u></u>

**Lease Termination** – Subsequent to year-end, NILC exercised its option to terminate the Los Angeles office lease. The effective lease termination date is March 31, 2021. In accordance with the lease agreement, NILC paid the termination fee of approximately \$480,000. The lease commitment schedule above excludes any remaining future minimum rent payments for the Los Angeles office lease beyond the lease termination date.

**Global Pandemic and Contingency** - The 2019–20 coronavirus pandemic is an ongoing global pandemic of Coronavirus disease 2019 (COVID-19). On March 11, 2020, the World Health Organization declared the outbreak a pandemic. As a result, public health responses around the world have included travel restrictions, quarantines, school and nonessential workplace closures, event cancellations, and other quarantine-related restrictions.

Management is complying with all required health and safety requirements and has shifted to a remote office setting to continue providing services as necessary and appropriate. While disruption is currently expected to be temporary, there is considerable uncertainty around the duration.

The Organization is in a strong financial position to continue its mission throughout the pandemic. The related financial impact of this matter and other effects of the global pandemic cannot be reasonably estimated at this time.