

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

FINANCIAL STATEMENTS

**For the Years Ended
June 30, 2022 and 2021**



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

Opinion

We have audited the accompanying financial statements of National Immigration Law Center ("NILC"), a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NILC as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NILC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NILC's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NILC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NILC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Gursey | Schneider LLP

February 23, 2023
Los Angeles, California

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
<u>ASSETS</u>		
Cash and cash equivalents	\$ 9,530,220	\$ 8,811,033
Investments	15,620,064	16,544,280
Grants and contributions receivable, net	9,565,279	8,714,085
Accrued interest and other receivables	131,667	111,014
Related party receivable	506,476	145,244
Prepaid expenses and other assets	155,970	253,167
Property and equipment, net	250,338	349,628
TOTAL ASSETS	\$ 35,760,014	\$ 34,928,451
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,941,005	\$ 2,854,406
Deferred rent and lease incentives	400,105	471,530
TOTAL LIABILITIES	2,341,110	3,325,936
NET ASSETS		
Without donor restrictions - undesignated	5,007,636	9,232,525
Without donor restrictions - board designated	6,362,799	5,720,323
With donor restrictions	22,048,469	16,649,667
TOTAL NET ASSETS	33,418,904	31,602,515
TOTAL LIABILITIES AND NET ASSETS	\$ 35,760,014	\$ 34,928,451

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, 2022

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Grants	\$ 120,000	\$ 21,242,350	\$ 21,362,350
General contributions	2,478,161	-	2,478,161
Attorney fees awards	1,315,339	-	1,315,339
Investment income (loss), net	(2,543,379)	-	(2,543,379)
Honorarium and other income	51,751	-	51,751
Subtotal	1,421,872	21,242,350	22,664,222
Net assets released from restrictions	15,843,548	(15,843,548)	-
Total Revenues and Support	17,265,420	5,398,802	22,664,222
EXPENSES			
Program services	16,142,747	-	16,142,747
Fundraising	2,055,696	-	2,055,696
General and administrative	2,649,390	-	2,649,390
Total Expenses	20,847,833	-	20,847,833
CHANGE IN NET ASSETS	(3,582,413)	5,398,802	1,816,389
NET ASSETS, Beginning of Year	14,952,848	16,649,667	31,602,515
NET ASSETS, End of Year	\$ 11,370,435	\$ 22,048,469	\$ 33,418,904

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, 2021

	Without Donor Restriction	With Donor Restriction	Total
REVENUES AND SUPPORT			
Grants	\$ -	\$ 18,608,277	\$ 18,608,277
General contributions	2,814,838	-	2,814,838
Attorney fees awards	33,500	-	33,500
Investment income, net	1,477,932	-	1,477,932
Loan forgiveness - Paycheck Protection Program	1,146,620	-	1,146,620
Honorarium and other income	6,553	-	6,553
	<u>5,479,443</u>	<u>18,608,277</u>	<u>24,087,720</u>
Subtotal	5,479,443	18,608,277	24,087,720
Net assets released from restrictions	<u>15,320,145</u>	<u>(15,320,145)</u>	<u>-</u>
Total Revenues and Support	<u>20,799,588</u>	<u>3,288,132</u>	<u>24,087,720</u>
EXPENSES			
Program services	14,532,340	-	14,532,340
Fundraising	1,739,518	-	1,739,518
General and administrative	2,978,921	-	2,978,921
	<u>19,250,779</u>	<u>-</u>	<u>19,250,779</u>
Total Expenses	<u>19,250,779</u>	<u>-</u>	<u>19,250,779</u>
CHANGE IN NET ASSETS	1,548,809	3,288,132	4,836,941
NET ASSETS, Beginning of Year	<u>13,404,039</u>	<u>13,361,535</u>	<u>26,765,574</u>
NET ASSETS, End of Year	<u>\$ 14,952,848</u>	<u>\$ 16,649,667</u>	<u>\$ 31,602,515</u>

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, 2022

	Program Services	Fundraising	General and Administrative	Total
Salaries and benefits	\$ 8,255,859	\$ 1,258,048	\$ 938,076	\$ 10,451,983
Professional services	2,710,573	455,753	1,076,784	4,243,110
Subgrants	3,180,000	-	-	3,180,000
Marketing	875,255	15,584	1,799	892,638
Information technology	328,508	143,240	132,368	604,116
Business fees	184,229	114,159	100,626	399,014
Occupancy	238,986	36,427	115,595	391,008
Meetings and retreats	39,643	1,839	150,910	192,392
Litigation	117,830	-	28	117,858
Depreciation	60,687	9,250	29,354	99,291
Travel	62,657	-	28,179	90,836
Office expenses	46,710	13,575	21,153	81,438
Insurance	41,148	6,272	19,903	67,323
Other and miscellaneous	662	1,549	34,615	36,826
	<u>\$ 16,142,747</u>	<u>\$ 2,055,696</u>	<u>\$ 2,649,390</u>	<u>\$ 20,847,833</u>

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, 2021

	Program Services	Fundraising	General and Administrative	Total
Salaries and benefits	\$ 6,262,443	\$ 980,484	\$ 1,683,090	\$ 8,926,017
Professional services	3,671,977	531,101	545,989	4,749,067
Subgrants	3,283,500	-	-	3,283,500
Information technology	398,024	61,551	268,331	727,906
Occupancy	313,156	35,526	218,092	566,774
Business fees	169,134	49,425	79,622	298,181
Office expenses	138,093	38,031	111,226	287,350
Depreciation	105,858	16,574	28,450	150,882
Marketing	100,026	15,743	-	115,769
Meetings and retreats	25,015	701	29,526	55,242
Insurance	32,715	8,792	5,122	46,629
Travel	15,435	1,230	4,276	20,941
Litigation	13,092	-	-	13,092
Other and miscellaneous	3,872	360	5,197	9,429
	<u>\$ 14,532,340</u>	<u>\$ 1,739,518</u>	<u>\$ 2,978,921</u>	<u>\$ 19,250,779</u>

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,816,389	\$ 4,836,941
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	99,290	150,882
Realized and unrealized (gains) losses on investments, net	3,235,620	(862,476)
Forgiveness of debt - Paycheck Protection Program loan	-	(1,138,200)
(Increase) decrease in assets:		
Grants and contributions receivable, net	(851,194)	(2,272,886)
Accrued interest and other receivables	(20,653)	(111,014)
Related party receivable	(361,232)	86,003
Prepaid expenses and other assets	97,197	31,151
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	(913,401)	1,141,898
Deferred rent and lease incentives	(71,425)	(659,605)
	3,030,591	1,202,694
CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	-	(27,629)
Proceeds from sale of investments	14,428,984	7,279,411
Cash paid for purchases of investments	(16,740,388)	(11,878,143)
	(2,311,404)	(4,626,361)
CASH USED FOR INVESTING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	719,187	(3,423,667)
CASH AND CASH EQUIVALENTS, Beginning of Year	8,811,033	12,234,700
CASH AND CASH EQUIVALENTS, End of Year	\$ 9,530,220	\$ 8,811,033

See Accompanying Notes to Financial Statements

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022 and 2021

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 leading 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 those 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 financial statements have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Revenues are recognized in the period in which they are earned, and expenses are recognized when the obligation is incurred.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022 and 2021

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

Classes of Net Assets – To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives.

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 Restrictions* – 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 general contributions, and performing administrative functions.
- *Without Donor Restrictions – Board Designated* – The Board has adopted a policy that the Organization maintain a reserve to fund core annual operating expenses. This fund is segregated from other funds and is to be only used in extraordinary circumstances. The reserved funds are not to be used to cover temporary cash flow needs.
- *With Donor Restrictions* – 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 restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from purpose or time restrictions. Donors may restrict net assets permanently. In this case, resources are to be maintained permanently but the Organization shall expend the income (or other economic benefits) derived from the donated assets.

Revenue Recognition – Contributions and pledges are recognized when an unconditional promise to give is 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 any applicable donor-imposed restrictions. 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.

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. A great number of volunteers generously contribute their time to the Organization. Although their services have a meaningful impact on the Organization's success, accounting rules do not permit recording these efforts in the financial statements.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022 and 2021

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

Functional Allocation of Expenses – The costs of providing programs and supporting services are presented in the statement of functional expenses. These costs are grouped as either direct or indirect. Indirect, or shared costs, are allocated among program and supporting services by a method that best estimates the relative degree of benefit. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred. Occupancy costs are allocated based on office space utilization.

Cash and Cash Equivalents – Cash and cash equivalents are short-term, 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, 2022 and 2021 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 granted. NILC reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Discounts for grants (grants due over one year) are recorded as reductions to contribution revenue and grants receivable. Discounts increase contribution revenue when the grant is received.

At June 30, 2022 and 2021, 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, 2022 and 2021, are expected to be collected as follows:

	2022	2021
Due within one year	\$ 5,623,351	\$ 8,607,785
Due within one to two years	2,500,000	106,300
Due within two to three years	1,000,000	-
Due within three to four years	750,000	-
	<hr/>	<hr/>
Gross grants and contributions receivable	9,873,351	8,714,085
Less: net present value discount	(308,072)	-
	<hr/>	<hr/>
Net grants and contributions receivable	<u>\$ 9,565,279</u>	<u>\$ 8,714,085</u>

Investments – Investments are reported at fair value in the statement of financial position. Purchases and sales 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.

Risks and Uncertainties – NILC holds a variety of investments. Investment securities are exposed to a variety of risks, such as interest rate changes, credit availability, and market volatility. Due to the risks associated with certain investment securities, it is possible that the value of NILC's investments will decrease. These changes could materially affect the amounts reported in the statement of financial position.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022 and 2021

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 \$5,000 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, 2022 and 2021.

Fair Value of Financial Instruments – Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic No. 820, "*Fair Value Measurements and Disclosures*", establishes a framework for measuring fair value for assets and liabilities subject to fair value measurement. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. It gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

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, 2022 and 2021, 85% and 69% of grants and contributions receivable due were concentrated among three and two donors, respectively.

Contributions revenue – For the year ended June 30, 2022, three donors accounted for 67% of total revenue. For the year ended June 30, 2021, one donor comprised more than 10% of total revenues.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022 and 2021

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 bank accounts at high-credit quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, cash in these accounts may exceed the insured amounts. The Organization has not experienced any losses in its bank 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 23701(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 its exempt purpose. Unrelated business income is taxed based on the applicable 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, 2019 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. 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 23, 2023, the date the financial statements were available to be issued.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022 and 2021

NOTE 3 – LIQUIDITY AND AVAILABLE RESOURCES

Financial assets consist of the Organization’s cash and cash equivalents, investments, net grants and contributions receivable, and other receivables. The following represents the Organization’s financial assets available to meet cash needs for general expenditures within one year, and financial assets available to cover programs and operations within one year, both presented as of June 30, 2022 and 2021. Financial assets are considered unavailable if not liquid or convertible within one year.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,530,220	\$ 8,811,033
Investments	15,620,064	16,544,280
Grants and contributions receivables, due within one year	5,623,351	8,607,785
Other receivables	<u>638,143</u>	<u>256,258</u>
Total liquid assets	31,411,778	34,219,356
Less: total restricted or board designated net assets	<u>(28,411,268)</u>	<u>(22,369,990)</u>
Total assets available for general expenditure within one year	3,000,510	11,849,366
Estimated expenses to be funded by use of restricted funds within one year	<u>16,458,864</u>	<u>15,843,548</u>
Total assets available to cover program and operations expenses within one year	<u>\$ 19,459,374</u>	<u>\$ 27,692,914</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 programmatic 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, board-designated funds could be drawn upon through board resolution.

NATIONAL IMMIGRATION LAW CENTER
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2022 and 2021

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, 2022	Fair Value Designation			Total
	Level 1	Level 2	Level 3	
Fixed income	\$ -	\$ 14,363,883	\$ -	\$ 14,363,883
Equities	1,256,181	-	-	1,256,181
	<u>\$ 1,256,181</u>	<u>\$ 14,363,883</u>	<u>\$ -</u>	<u>\$ 15,620,064</u>

June 30, 2021	Fair Value Designation			Total
	Level 1	Level 2	Level 3	
Fixed income	\$ 4,582,609	\$ 10,089,874	\$ -	\$ 14,672,483
Equities	1,871,797	-	-	1,871,797
	<u>\$ 6,454,406</u>	<u>\$ 10,089,874</u>	<u>\$ -</u>	<u>\$ 16,544,280</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, 2022 and 2021.

The cost basis and corresponding fair value of the Organization's investment holdings as of June 30, 2022 and 2021 are summarized as follows:

	June 30, 2022		June 30, 2021	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Fixed income	\$ 15,735,215	\$ 14,363,883	\$ 14,530,343	\$ 14,672,483
Equities	1,201,440	1,256,181	1,164,293	1,871,797
	<u>\$ 16,936,655</u>	<u>\$ 15,620,064</u>	<u>\$ 15,694,636</u>	<u>\$ 16,544,280</u>

Net investment income (loss) is summarized as follows:

	Years Ended June 30,	
	2022	2021
Interest and dividends	\$ 710,878	\$ 631,498
Realized gains and (losses), net	(814,098)	185,012
Unrealized gains and (losses), net	(2,421,522)	677,464
Investment fees	(18,637)	(16,042)
	<u>\$ (2,543,379)</u>	<u>\$ 1,477,932</u>

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NOTE 5 – RELATED PARTY TRANSACTIONS

Established in 2013 as the 501(c)(4) affiliate, 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 staff, office space, furniture, and equipment.

During the years ended June 30, 2022 and 2021, NILC charged IJF \$520,514 and \$831,990, respectively, for shared resources.

At June 30, 2022 and at June 30, 2021, IJF owed NILC \$506,476 and \$145,244, 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, 2022 and 2021, NILC awarded \$750,000 and \$1,095,000 grants, respectively to IJF for promoting and advancing just and humane immigration policies.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Furniture and office equipment	\$ 221,493	\$ 221,493
Leasehold improvements	<u>425,150</u>	<u>425,150</u>
	646,643	646,643
Accumulated depreciation	<u>(396,305)</u>	<u>(297,015)</u>
	<u>\$ 250,338</u>	<u>\$ 349,628</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$99,291 and \$150,882, respectively.

NOTE 7 – ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Trade payables	\$ 1,022,044	\$ 1,980,543
Accrued vacation	716,165	692,640
Accrued wages and withholdings	<u>202,796</u>	<u>181,223</u>
	<u>\$ 1,941,005</u>	<u>\$ 2,854,406</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 by the United States Small Business Administration. The interest rate on the loan was 1.0% per annum. The loan was forgiven on February 12, 2021. The accompanying statement of activities for the year ended June 30, 2021, reflects \$1,146,620 of other income reflecting the forgiven loan and accrued interest.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction included the following changes as of June 30, 2022 and 2021:

	June 30, 2021	Additions	Releases	June 30, 2022
Purpose restricted	\$ 3,628,343	\$ 11,124,317	\$ (7,130,410)	\$ 7,622,250
Time restricted	12,021,324	10,118,033	(8,713,138)	13,426,219
Permanently restricted	1,000,000	-	-	1,000,000
	<u>\$ 16,649,667</u>	<u>\$ 21,242,350</u>	<u>\$ (15,843,548)</u>	<u>\$ 22,048,469</u>
	June 30, 2020	Additions	Releases	June 30, 2021
Purpose restricted	\$ 3,161,619	\$ 7,133,184	\$ (6,666,460)	\$ 3,628,343
Time restricted	9,199,916	11,475,093	(8,653,685)	12,021,324
Permanently restricted	1,000,000	-	-	1,000,000
	<u>\$ 13,361,535</u>	<u>\$ 18,608,277</u>	<u>\$ (15,320,145)</u>	<u>\$ 16,649,667</u>

NOTE 10 – ENDOWMENTS

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 disrupt program activities. The Fund may be used to fund activities whose funding is disrupted by macroeconomic events or a sudden loss of donor support. The Fund may also be used to help NILC pay for the unexpected transition of its executive director. The endowment funds may be drawn upon approval by the board of directors.

The Fund is intended to be a long-term asset. Any withdrawal should be accompanied by a plan to replenish the funds over a reasonable period of time.

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.

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NOTE 10 – ENDOWMENTS – (CONTINUED)

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 a principal 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).

Composition of Endowment and Annual Activity

As of June 30, 2022 and 2021, the endowment account consists of cash and cash equivalents, and equity securities.

	June 30, 2022		June 30, 2021	
	Cost Basis	Fair Value	Cost Basis	Fair Value
Cash	\$ 151,827	\$ 151,827	\$ 26,133	\$ 26,133
Equity securities	1,201,440	1,256,181	1,164,293	1,871,797
Total	\$ 1,353,267	\$ 1,408,008	\$ 1,190,426	\$ 1,897,930

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NOTE 10 – ENDOWMENTS – (CONTINUED)

During the year ended June 30, 2022, NILC had the following endowment-related activities:

<u>Endowment Net Assets</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Beginning of year	\$ 897,930	\$ 1,000,000	\$ 1,897,930
Investment income	68,200	-	68,200
Investment fees	(18,622)	-	(18,622)
Net decrease in value	(539,500)	-	(539,500)
End of year	<u>\$ 408,008</u>	<u>\$ 1,000,000</u>	<u>\$ 1,408,008</u>

During the year ended June 30, 2021, NILC had the following endowment-related activities:

<u>Endowment Net Assets</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Beginning of year	\$ 379,557	\$ 1,000,000	\$ 1,379,557
Investment income	30,432	-	30,432
Investment fees	(16,042)	-	(16,042)
Net increase in value	503,983	-	503,983
End of year	<u>\$ 897,930</u>	<u>\$ 1,000,000</u>	<u>\$ 1,897,930</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, 2022 and 2021.

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 up to 20% of their salary, depending on years of service and subject to the maximum exclusion determined by the Internal Revenue Code. In fiscal year 2022, NILC made a non-elective employer contribution of up to 4.0% of annual compensation. NILC contributed discretionary employer contributions of \$333,019 and \$282,148 to the Plan for the years ended June 30, 2022 and 2021, respectively.

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NOTE 12 – COMMITMENTS AND CONTINGENCIES

Obligation Under Operating Lease – NILC leases one facility under an operating lease with a term through July 2026. Future minimum lease payments, by year and in aggregate, consist of the following:

<u>Years Ending June 30,</u>	
2023	\$ 415,256
2024	425,814
2025	436,281
2026	447,180
2027	<u>38,199</u>
	<u>\$ 1,762,730</u>