

FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022**

NATIONAL IMMIGRATION LAW CENTER

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
National Immigration Law Center
Washington, D.C.

Opinion

We have audited the accompanying financial statements of the National Immigration Law Center (NILC), which comprise the statements of financial position as of June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of NILC as of June 30, 2023, 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. 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Prior Period Restatement

As discussed in Note 14 to the financial statements, NILC restated beginning net assets as of July 1, 2021, to properly classify the accumulated earnings on its donor restricted endowment fund as net assets with donor restrictions. Our opinion is not modified with respect to this matter.

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 within one year after the date that the financial statements are available to be issued.

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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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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.

Report on Prior Year Comparative Statements

The financial statements of NILC for the year ended June 30, 2022, were audited by other auditors, whose report dated February 23, 2023, expressed an unmodified opinion on those statements.



December 20, 2023

NATIONAL IMMIGRATION LAW CENTER

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u> <u>As Restated</u>
Cash and cash equivalents	\$ 1,818,569	\$ 7,645,710
Investments	19,293,882	17,504,574
Grants and contributions receivable, net	8,872,357	9,696,946
Due from related party, net	-	506,488
Prepaid expenses and other assets	287,216	155,958
Property and equipment, net	171,998	250,338
Right-of-use asset, net	<u>968,817</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 31,412,839</u>	<u>\$ 35,760,014</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued liabilities	\$ 812,207	\$ 1,022,044
Accrued salaries and related benefits	1,001,957	918,961
Due to related party, net	29,304	-
Operating lease liability	1,287,321	-
Deferred rent	<u>-</u>	<u>400,105</u>
Total liabilities	<u>3,130,789</u>	<u>2,341,110</u>

NET ASSETS

Without donor restrictions:		
Undesignated	3,357,928	4,599,628
Board designated	<u>7,775,858</u>	<u>6,362,799</u>
Total net assets without donor restrictions	11,133,786	10,962,427
With donor restrictions	<u>17,148,264</u>	<u>22,456,477</u>
Total net assets	<u>28,282,050</u>	<u>33,418,904</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 31,412,839</u>	<u>\$ 35,760,014</u>

NATIONAL IMMIGRATION LAW CENTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants	\$ 1,478,590	\$ 8,495,837	\$ 9,974,427
Contributions	2,440,640	-	2,440,640
Net investment return	265,572	209,665	475,237
Attorney fees awards	104,012	-	104,012
Sublease income	18,600	-	18,600
Other revenue	250	-	250
Net assets released from donor restrictions	<u>14,013,715</u>	<u>(14,013,715)</u>	<u>-</u>
Total support and revenue	<u>18,321,379</u>	<u>(5,308,213)</u>	<u>13,013,166</u>
EXPENSES			
Program Services	<u>13,627,619</u>	<u>-</u>	<u>13,627,619</u>
Supporting Services:			
Fundraising	2,358,387	-	2,358,387
General and Administrative	<u>2,164,014</u>	<u>-</u>	<u>2,164,014</u>
Total supporting services	<u>4,522,401</u>	<u>-</u>	<u>4,522,401</u>
Total expenses	<u>18,150,020</u>	<u>-</u>	<u>18,150,020</u>
Changes in net assets	171,359	(5,308,213)	(5,136,854)
Net assets at beginning of year	<u>10,962,427</u>	<u>22,456,477</u>	<u>33,418,904</u>
NET ASSETS AT END OF YEAR	<u>\$ 11,133,786</u>	<u>\$ 17,148,264</u>	<u>\$ 28,282,050</u>

NATIONAL IMMIGRATION LAW CENTER

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions (As Restated)	With Donor Restrictions (As Restated)	Total (As Restated)
SUPPORT AND REVENUE			
Grants	\$ 869,000	\$ 21,242,350	\$ 22,111,350
Contributions	2,478,161	-	2,478,161
Net investment return	(2,053,457)	(489,922)	(2,543,379)
Attorney fees awards	566,339	-	566,339
Sublease income	12,400	-	12,400
Other revenue	39,351	-	39,351
Net assets released from donor restrictions	<u>15,843,548</u>	<u>(15,843,548)</u>	<u>-</u>
Total support and revenue	<u>17,755,342</u>	<u>4,908,880</u>	<u>22,664,222</u>
EXPENSES			
Program Services	<u>16,142,747</u>	<u>-</u>	<u>16,142,747</u>
Supporting Services:			
Fundraising	2,055,696	-	2,055,696
General and Administrative	<u>2,649,390</u>	<u>-</u>	<u>2,649,390</u>
Total supporting services	<u>4,705,086</u>	<u>-</u>	<u>4,705,086</u>
Total expenses	<u>20,847,833</u>	<u>-</u>	<u>20,847,833</u>
Changes in net assets	(3,092,491)	4,908,880	1,816,389
Net assets at beginning of year, as restated	<u>14,054,918</u>	<u>17,547,597</u>	<u>31,602,515</u>
NET ASSETS AT END OF YEAR	<u>\$ 10,962,427</u>	<u>\$ 22,456,477</u>	<u>\$ 33,418,904</u>

NATIONAL IMMIGRATION LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Supporting Services</u>	
Salaries and related benefits	\$ 8,294,321	\$ 1,558,451	\$ 1,021,490	\$ 2,579,941	\$ 10,874,262
Professional services	2,995,837	435,270	613,535	1,048,805	4,044,642
Subgrants	780,800	-	-	-	780,800
Meetings and retreats	347,597	40,092	165,137	205,229	552,826
Information technology	202,810	121,358	89,051	210,409	413,219
Occupancy	231,746	43,544	121,662	165,206	396,952
Business fees	227,985	104,561	33,018	137,579	365,564
Travel	235,721	10,950	54,410	65,360	301,081
Marketing	125,324	21,274	-	21,274	146,598
Depreciation and amortization	46,053	8,650	23,637	32,287	78,340
Litigation	61,815	-	-	-	61,815
Insurance	35,221	6,618	18,490	25,108	60,329
Office expenses	25,427	4,778	13,349	18,127	43,554
Other and miscellaneous	16,962	2,841	10,235	13,076	30,038
TOTAL	\$ 13,627,619	\$ 2,358,387	\$ 2,164,014	\$ 4,522,401	\$ 18,150,020

NATIONAL IMMIGRATION LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total Supporting Services</u>	
Salaries and related benefits	\$ 8,255,859	\$ 1,258,048	\$ 938,076	\$ 2,196,124	\$ 10,451,983
Professional services	2,710,573	455,753	1,076,784	1,532,537	4,243,110
Subgrants	3,180,000	-	-	-	3,180,000
Meetings and retreats	39,643	1,839	150,910	152,749	192,392
Information technology	328,508	143,240	132,368	275,608	604,116
Occupancy	238,986	36,427	115,595	152,022	391,008
Business fees	184,229	114,159	100,626	214,785	399,014
Travel	62,657	-	28,179	28,179	90,836
Marketing	875,255	15,584	1,799	17,383	892,638
Depreciation and amortization	60,687	9,250	29,353	38,603	99,290
Litigation	117,830	-	28	28	117,858
Insurance	41,148	6,272	19,903	26,175	67,323
Office expenses	46,710	13,575	21,153	34,728	81,438
Other and miscellaneous	662	1,549	34,616	36,165	36,827
TOTAL	\$ 16,142,747	\$ 2,055,696	\$ 2,649,390	\$ 4,705,086	\$ 20,847,833

See accompanying notes to financial statements.

NATIONAL IMMIGRATION LAW CENTER

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u> <u>As Restated</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (5,136,854)	\$ 1,816,389
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Net realized and unrealized loss on investments	225,840	3,235,620
Change in discount on long-term receivables	(219,881)	308,072
Depreciation and amortization of property and equipment	78,340	99,290
Amortization of right-of-use asset	294,912	-
Decrease (increase) in:		
Grants and contributions receivable	1,044,470	(1,179,919)
Due from related party	506,488	(361,244)
Prepaid expenses and other assets	(131,258)	97,209
(Decrease) increase in:		
Accounts payable and accrued liabilities	(209,837)	(958,499)
Accrued salaries and related benefits	82,996	45,098
Due to related party	29,304	-
Operating lease liability	(376,513)	-
Deferred rent	-	(71,425)
Net cash (used) provided by operating activities	<u>(3,811,993)</u>	<u>3,030,591</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	10,357,059	14,447,621
Purchases of investments	<u>(12,372,207)</u>	<u>(15,123,793)</u>
Net cash used by investing activities	<u>(2,015,148)</u>	<u>(676,172)</u>
Net (decrease) increase in cash and cash equivalents	(5,827,141)	2,354,419
Cash and cash equivalents at beginning of year	<u>7,645,710</u>	<u>5,291,291</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,818,569</u>	<u>\$ 7,645,710</u>
SUPPLEMENTAL INFORMATION:		
Right-of-Use Asset	<u>\$ 1,263,729</u>	<u>\$ -</u>
Operating Lease Liability for Right-of-Use Asset	<u>\$ 1,663,834</u>	<u>\$ -</u>

NATIONAL IMMIGRATION LAW CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The National Immigration Law Center (NILC) was formed in 1979 as a nonprofit public benefit corporation in the state of California. NILC is one of the leading organizations in the United States of America (U.S.) that is exclusively dedicated to defending and advancing the rights of immigrants with low income.

NILC believes that all people who live in the U.S. should have the opportunity to achieve their full potential. Over the years, NILC has been at the forefront of many of the country's greatest challenges when it comes to immigration issues, and NILC plays a major leadership role in addressing the real-life impact of policies that affect the ability of low-income immigrants to prosper and thrive.

NILC understands that legal and policy strategies alone are not enough to achieve the long-term transformational change that the times require. NILC uses its litigation and policy expertise to challenge unjust laws and policies that marginalize low-income and other vulnerable immigrant communities and advance systemic policy solutions that make it possible for immigrants and their loved ones to thrive. NILC focuses on building a stronger, more inclusive immigrant justice movement and fostering intersectional alliances with other communities in order to amass the political power necessary to hold decisionmakers accountable for making policy changes real and lasting. NILC also engages in 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 a stake and constructive role to play in shaping the country's future.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions. NILC's board designated net assets consists solely of an operating reserve fund.
- **Net Assets with Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than NILC's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

NATIONAL IMMIGRATION LAW CENTER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncement adopted -

On July 1, 2022, NILC adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosure of key information about leasing arrangements. NILC applied the new standard using the modified retrospective approach. See Note 8 for further details.

Cash and cash equivalents -

NILC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers totaling \$2,203,675 and \$1,884,510 as of June 30, 2023 and 2022, respectively. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, NILC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in net investment return, which includes investment expenses paid to external investment advisors, in the accompanying Statements of Activities and Changes in Net Assets.

Grants and contributions receivable -

Grants and contributions receivable which are expected to be collected within one year are recorded at net realizable value, which approximates fair value. Grants and contributions receivable that are expected to be collected in future years are recorded at net present value of future cash flows, which approximates fair value. The discount on long-term receivables is computed using risk-adjusted interest rates applicable to the years in which the grants and contributions are received. Amortization of the discount is included in grants and contributions on the Statement of Activities. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. Leasehold improvements are amortized over the remaining life of the lease. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense totaled \$78,340 and \$99,290 for the years ended June 30, 2023 and 2022, respectively.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to the Statements of Activities and Changes in Net Assets, to its current fair value.

NATIONAL IMMIGRATION LAW CENTER

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes -

NILC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. NILC is not a private foundation.

Uncertain tax positions -

For the years ended June 30, 2023 and 2022, NILC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Support from grants and contributions -

NILC receives contributions and grants, including U.S. Government grants (Federal grants). Contributions are recognized in the appropriate category of net assets in the period received. NILC performs an analysis of the individual contribution agreement to determine if the funding stream follows the contribution rules or if it should be recorded as an exchange transaction depending upon whether the transaction is deemed reciprocal or nonreciprocal in accordance with ASC Topic 958.

For grants qualifying under the contribution rules, support is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions, including grants qualifying as contributions, that are unconditional but have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions with donor restrictions either in excess of expenses incurred or with time restrictions are shown as net assets with donor restrictions in the accompanying financial statements.

Conditional contributions contain a right of return and a measurable barrier. Contributions are recognized when conditions have been satisfied. Most Federal grants are for direct and indirect program costs and are considered to be conditional contributions which are recognized as contributions when the amounts become unconditional. Conditional contributions received in advance of incurring qualifying expenditures or otherwise satisfying donor conditions are recorded as refundable advances. However, NILC had no refundable advances as of June 30, 2023.

In addition, NILC may obtain funding source agreements related to conditional contributions which will be received in future years. However, NILC had no unrecognized conditional contributions to be received in future years as of June 30, 2023.

Attorney fees awards -

In conjunction with its program services activities, NILC participates in certain cases on behalf of the immigrant community. Attorney fees awards related to these cases are treated as gain contingencies in that they are recorded in the financial statements when the payments are received.

NATIONAL IMMIGRATION LAW CENTER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and supporting services activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefited. Expenses directly attributed to a specific functional area are reported as direct expenses in that functional area. Those expenses that benefit more than one functional area are allocated based on estimated time and effort.

Risks and uncertainties -

NILC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. Other than the prior period restatement which is described in Note 14, these reclassifications had no effect on the previously reported net assets and changes in net assets.

New accounting pronouncement (not yet adopted) -

ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for the year ending June 30, 2024. The ASU can be applied at the beginning of the period of adoption using a modified retrospective approach.

NILC plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value and establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value. NILC accounts for its investments at fair value or considers fair value in their measurement.

NATIONAL IMMIGRATION LAW CENTER

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

NILC has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market NILC has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used and there were no transfers between levels in the fair value hierarchy during the years ended June 30, 2023 and 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Common Stocks* - Valued at the closing price reported on the active market in which the individual securities are traded.
- *Mutual Funds and Exchange Traded Funds (ETFs)* - Valued at the daily closing price as reported by the fund. Mutual funds and ETFs held by NILC are open-end funds that are registered with the SEC and deemed to be actively traded. These funds are required to publish their daily value and to transact at that price.
- *Corporate Debt and U.S. Government Obligations* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.

A portion of NILC's investments are held in relation to the donor-restricted endowment fund, which are described in Note 13. Investments held in relation to endowment funds totaled \$1,617,673 and \$1,408,008 as of June 30, 2023 and 2022, respectively.

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Funds	\$ 2,203,675	\$ -	\$ -	\$ 2,203,675
Common Stocks	1,249,598	-	-	1,249,598
Mutual Funds and ETFs	226,678	-	-	226,678
Corporate Debt and U.S. Government Obligations	<u>-</u>	<u>15,613,931</u>	<u>-</u>	<u>15,613,931</u>
TOTAL INVESTMENTS	<u>\$ 3,679,951</u>	<u>\$ 15,613,931</u>	<u>\$ -</u>	<u>\$ 19,293,882</u>

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**NOTES TO FINANCIAL STATEMENTS
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2. INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The table below summarizes investments, which are measured at fair value on a recurring basis, by level within the fair value hierarchy as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Money Market Funds	\$ 1,884,510	\$ -	\$ -	\$ 1,884,510
Common Stocks	1,091,941	-	-	1,091,941
Mutual Funds and ETFs	164,240	-	-	164,240
Corporate Debt and U.S. Government Obligations	<u>-</u>	<u>14,363,883</u>	<u>-</u>	<u>14,363,883</u>
TOTAL INVESTMENTS	<u>\$ 3,140,691</u>	<u>\$ 14,363,883</u>	<u>\$ -</u>	<u>\$ 17,504,574</u>

Net investment return consisted of the following for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 715,494	\$ 710,878
Net realized and unrealized loss on investments	(225,840)	(3,235,620)
Investment expenses paid to external investment advisors	<u>(14,417)</u>	<u>(18,637)</u>
NET INVESTMENT RETURN	<u>\$ 475,237</u>	<u>\$ (2,543,379)</u>

3. GRANTS AND CONTRIBUTIONS RECEIVABLE

NILC has received unconditional promises to give from donors which are reported as grant and contributions receivable and have balances due totaling \$8,960,548 and \$10,005,018 as of June 30, 2023 and 2022, respectively. Long-term grants and contributions receivable date have been recorded at the present value of their estimated future cash flows, using discount rates ranging from 4.75% to 7.00%. Following is a schedule of expected amounts due as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 6,856,348	\$ 5,755,018
One to five years	<u>2,104,200</u>	<u>4,250,000</u>
Total	8,960,548	10,005,018
Less: Discount to net present value	<u>(88,191)</u>	<u>(308,072)</u>
GRANTS AND CONTRIBUTIONS RECEIVABLE, NET	<u>\$ 8,872,357</u>	<u>\$ 9,696,946</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture and equipment	\$ 221,493	\$ 221,493
Leasehold improvements	<u>425,150</u>	<u>425,150</u>
Total property and equipment	646,643	646,643
Less: Accumulated depreciation and amortization	<u>(474,645)</u>	<u>(396,305)</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 171,998</u>	<u>\$ 250,338</u>

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5. LINE OF CREDIT

NILC has a line of credit agreement with its investment manager, which has no expiration date. The line of credit allows NILC to borrow against eligible securities in its investment portfolio for general liquidity purposes with a maximum limit of \$4,500,000. Interest is calculated on draw downs at a rate of 4.50%. There were no draw-downs on the line of credit during the years ended June 30, 2023 and 2022.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of June 30, 2023 and 2022:

	2023	2022 As Restated
Purpose restricted	\$ 6,538,363	\$ 7,622,250
Time restricted	8,992,228	13,426,219
Endowment fund	1,617,673	1,408,008
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 17,148,264	\$ 22,456,477

Net assets released from donor restrictions consisted of the following for the years ended June 30, 2023 and 2022:

	2023	2022 As Restated
Purpose restrictions accomplished	\$ 7,093,983	\$ 7,130,410
Time restrictions expired	6,919,732	8,713,138
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 14,013,715	\$ 15,843,548

7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the date of the Statements of Financial Position comprise the following as of June 30, 2023 and 2022:

	2023	2022
Cash and cash equivalents	\$ 1,818,569	\$ 7,645,710
Investments	19,293,882	17,504,574
Grants and contributions receivable, net	8,872,357	9,696,946
Due from related party, net	-	506,488
Subtotal financial assets available within one year	29,984,808	35,353,718
Less: Board designated net assets	(7,775,858)	(6,362,799)
Less: Net assets with donor restrictions	(17,148,264)	(22,456,477)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 5,060,686	\$ 6,534,442

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

7. LIQUIDITY AND AVAILABILITY (Continued)

NILC has a policy to structure its financial assets to be available and liquid as its obligations become due. In addition, NILC has a line of credit agreement, which is described in Note 5, that allows for available borrowings up to \$4,500,000.

8. LEASE COMMITMENTS

NILC as an operating lease agreement for office space in Washington, D.C. which expires on July 31, 2026. The lease includes an escalation of base rentals which is being amortized on a basis to achieve straight-line rent expense over the life of the lease. In addition, NILC received a tenant improvement allowance of \$425,150 for leasehold improvements. The tenant improvement allowance is being amortized as a credit to lease expense over the term of the lease. The liability for deferred rent totaled \$400,105 as of June 30, 2022. However, effective July 1, 2022, GAAP requires that the liability for deferred rent be presented as a component of the operating lease right-of-use asset.

Effective July 1, 2022, NILC adopted ASU 2019-01, *Leases* (Topic 842). NILC elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. NILC also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. NILC adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs. As a result, NILC recorded an operating lease right-of-use asset totaling \$1,263,729 and an operating lease liability totaling \$1,663,834 as of July 1, 2022.

The implementation date amounts were determined by calculating the present value of all future rentals using a risk free discount rate of 2.87%. The operating lease right-of-use asset, net of accumulated amortization, totaled \$968,817 as of June 30, 2022, and the operating lease liability totaled \$1,287,321 as of June 30, 2023.

Lease expense totaled \$325,164 and \$328,389 for the years ended June 30, 2023 and 2022, respectively, and is included in occupancy expense in the accompanying Statements of Functional Expenses.

The following is a schedule of the future minimum lease payments due under the operating lease, net of imputed interest, as of June 30, 2023:

<u>Year Ending June 30,</u>	
2024	\$ 425,614
2025	436,281
2026	447,180
2027	<u>38,199</u>
	1,347,274
Less: Discount to present value	<u>(59,953)</u>
OPERATING LEASE LIABILITY	<u>\$ 1,287,321</u>

Sublease -

NILC subleases a portion of its office space under a lease with a tenant which expired on June 30, 2022. However, the sublease continues on a month-to-month basis. Sublease income totaled \$18,600 and \$12,400 for the years ended June 30, 2023 and 2022, respectively.

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NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

9. RETIREMENT PLAN

NILC has a tax deferred annuity retirement plan under Internal Revenue Code Section 403(b) (the Plan), which covers all eligible employees 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. NILC may make a non-elective employer contribution of up to 4.0% of annual compensation. NILC's contributions to the Plan totaled \$339,243 and \$333,019 during the years ended June 30, 2023 and 2022, respectively and is included in salaries and related benefits in the accompanying Statements of Functional Expenses.

10. CONCENTRATION OF SUPPORT

Approximately 37% and 67% of NILC's support was provided by four donors during the years ended June 30, 2023 and 2022, respectively. NILC has no reason to believe that relationships with these donors will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) would adversely affect NILC's ability to finance ongoing operations.

11. CONTINGENCY

NILC receives Federal grants from U.S. Department of Health and Human Services. The Federal grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The ultimate determination of amounts received under the Federal grants is based upon the allowance of costs reported to and accepted by the United States Government. However, a contingency exists that NILC may need to refund any amounts received in excess of allowable costs, but management believes no material liability will result from the Federal oversight process. Audits in accordance with the Uniform Guidance were not required because Federal expenditures were less than \$750,000.

12. RELATED PARTY

In February 2013, the Board of Directors of NILC established NILC Immigrant Justice Fund (IJF) as a nonprofit public benefit corporation in accordance with the laws of California. NILC has the ability to appoint a majority voting interest of the IJF Board of Directors. However, NILC does not have an economic interest in IJF because IJF does not exist for the benefit of NILC and IJF is not a fundraising entity for NILC. In addition, while the parties share staff, office space, furniture, and equipment, IJF and NILC have a Resource Sharing Agreement that supports the allocation of expenses associated with the use of shared resources. Consolidated financial statements would be required if both control and economic interest were present. Therefore, under U.S. GAAP, NILC and IJF are not required to present consolidated financial statements.

The following describes the transactions between NILC and IJF.

NILC awarded grants to IJF totaling \$250,000 and \$750,000 during the years ended June 30, 2023 and 2022, respectively. The grants were in support of IJF's promotion and advancement of just and humane immigration policies.

NILC charged IJF for shared resources totaling \$677,347 and \$520,514 during the years ended June 30, 2023 and 2022, respectively. In addition, NILC pays certain expenses on behalf of IJF, which are reimbursed by IJF.

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12. RELATED PARTY (Continued)

As a result of net amounts due to and due from IJF, NILC reported a net amount due to related party totaling \$29,304 as of June 30, 2023, which is included in the Statements of Financial Position. As a result of net amounts due to and due from IJF, NILC reported a net amount due from related party totaling \$506,488 as of June 30, 2022, which is included in the Statements of Financial Position.

13. ENDOWMENT FUND

NILC's endowment fund consists of a donor-restricted endowment fund referred to as the Special Operating Reserve. As required by GAAP, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment fund, NILC considers the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. NILC has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, NILC considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

The endowment fund is entirely classified as net assets with donor restrictions and consisted of the following as of June 30, 2023:

	<u>Held for Use</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Donor-Restricted Endowment Fund	\$ <u>617,673</u>	\$ <u>1,000,000</u>	\$ <u>1,617,673</u>

Changes in the endowment net assets consisted of the following as of and for the year ended June 30, 2023:

	<u>Held for Use</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 408,008	\$ 1,000,000	\$ 1,408,008
Net investment return	<u>209,665</u>	<u>-</u>	<u>209,665</u>
ENDOWMENT NET ASSETS, END OF YEAR	\$ <u>617,673</u>	\$ <u>1,000,000</u>	\$ <u>1,617,673</u>

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**NOTES TO FINANCIAL STATEMENTS
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13. ENDOWMENT FUND (Continued)

The endowment fund is entirely classified as net assets with donor restrictions and consisted of the following as of June 30, 2022:

	<u>Held for Use</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Donor Restricted Endowment Fund	\$ <u>408,008</u>	\$ <u>1,000,000</u>	\$ <u>1,408,008</u>

Changes in the endowment net assets consisted of the following as of and for the year ended June 30, 2022:

	<u>Held for Use</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 897,930	\$ 1,000,000	\$ 1,897,930
Net investment return	<u>(489,922)</u>	<u>-</u>	<u>(489,922)</u>
ENDOWMENT NET ASSETS, END OF YEAR	\$ <u>408,008</u>	\$ <u>1,000,000</u>	\$ <u>1,408,008</u>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires NILC to retain as a fund of perpetual duration. There were no deficiencies of this nature as of June 30, 2023 and 2022.

Return Objectives and Risk Parameters -

NILC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that NILC must hold in perpetuity or for a donor-specified period.

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 the Investment Objectives Relate to Spending Policy -

The assets of the funds shall be managed in such a way as to facilitate NILC'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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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

14. PRIOR PERIOD RESTATEMENT

In prior years, NILC’s financial statements classified the accumulated earnings on the donor-restricted endowment fund as net assets without donor restrictions. However, generally accepted accounting principles (U.S. GAAP) requires that when a donor provides a gift that is to be maintained in perpetuity but that has no purpose restriction on the accumulated earnings, the accumulated earnings are considered time restricted until appropriated by the Board of Directors. Therefore, the correct classification of the accumulated earnings on the endowment fund is net assets with donor restrictions.

The following provides a reconciliation of net assets as previously reported to net assets as restated as of July 1, 2021:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Net assets as of July 1, 2021, as previously reported	\$ 14,952,848	\$ 16,649,667	\$ 31,602,515
Restatement	(897,930)	897,930	-
NET ASSETS AS OF JULY 1, 2021, AS RESTATED	<u>\$ 14,054,918</u>	<u>\$ 17,547,597</u>	<u>\$ 31,602,515</u>

The following provides a reconciliation of net investment return as previously reported to net investment return as restated for the year ended June 30, 2022:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Net investment return for the year ended June 30, 2022, as previously reported	\$ (2,543,379)	\$ -	\$ (2,543,379)
Restatement	489,922	(489,922)	-
NET INVESTMENT RETURN FOR THE YEAR ENDED JUNE 30, 2022, AS RESTATED	<u>\$ (2,053,457)</u>	<u>\$ (489,922)</u>	<u>\$ (2,543,379)</u>

15. SUBSEQUENT EVENTS

In preparing these financial statements, NILC has evaluated events and transactions for potential recognition or disclosure through December 20, 2023, the date the financial statements were issued.