

NILC IMMIGRANT JUSTICE FUND

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

June 30, 2018

***(With Comparative Totals for the
Year Ended June 30, 2017)***



Gursey | Schneider LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

C O N T E N T S

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	1 – 2
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 – 13

Independent Auditor's Report

To the Board of Directors
NILC Immigrant Justice Fund
Los Angeles, California

We have audited the accompanying financial statements of NILC Immigrant Justice Fund (the "Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 on the previous page present fairly, in all material respects, the financial position of NILC Immigrant Justice Fund as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited NILC Immigrant Justice Fund's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 13, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gursey | Schneider LLP

April 4, 2019
Los Angeles, California

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Financial Position
June 30, 2018 and 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Cash	\$ 161,771	\$ 10,822
Grant receivable	<u>5,029</u>	<u>150,000</u>
TOTAL ASSETS	<u>\$ 166,800</u>	<u>\$ 160,822</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and other accrued liabilities	\$ 67,513	\$ 10,000
Related party payable, net	<u>23,914</u>	<u>-</u>
TOTAL LIABILITIES	<u>91,427</u>	<u>10,000</u>

NET ASSETS

Unrestricted assets	75,373	822
Temporarily restricted	<u>-</u>	<u>150,000</u>
TOTAL NET ASSETS	<u>75,373</u>	<u>150,822</u>
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	<u>\$ 166,800</u>	<u>\$ 160,822</u>

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Activities and Changes in Net Assets
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND SUPPORT				
Grants	\$ 309,606	\$ 95,000	\$ 404,606	\$ 406,954
Contributions	116,091	-	116,091	28,481
Special event income, net of \$26,110 direct costs	48,890	-	48,890	-
Subtotal	474,587	95,000	569,587	435,435
Net assets released from restrictions	245,000	(245,000)	-	-
Total Revenues and Support	719,587	(150,000)	569,587	435,435
EXPENSES				
Program services	614,467	-	614,467	246,953
Management and general	25,829	-	25,829	20,574
Fundraising	4,740	-	4,740	7,168
Total Expenses	645,036	-	645,036	274,695
CHANGE IN NET ASSETS	74,551	(150,000)	(75,449)	160,740
NET ASSETS (DEFICIT), Beginning of Year	822	150,000	150,822	(9,918)
NET ASSETS, End of Year	\$ 75,373	\$ -	\$ 75,373	\$ 150,822

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Functional Expenses
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				2017
	Program	Management and General	Fundraising	Total	Total
Personnel:					
Salaries	\$ 140,041	\$ 3,160	\$ 2,993	\$ 146,194	\$ 70,893
Benefits and payroll taxes	27,803	1,006	329	29,138	14,070
Total personnel costs	167,844	4,166	3,322	175,332	84,963
Other Operating Expenses:					
Accounting	-	14,426	-	14,426	11,785
Bank and payroll fees	-	200	-	200	265
Board support	8,811	221	210	9,242	-
Communications	1,242	-	300	1,542	2,869
Consultants / contract services	278,587	300	-	278,887	161,500
Donation fees	-	-	-	0	46
Insurance	-	1,376	-	1,376	-
Interest	-	43	-	43	235
Legal	-	-	-	0	3,569
Marketing	-	-	-	0	5,000
Postage and shipping	-	-	-	0	80
Rent	14,418	345	327	15,090	-
Staff development	250	-	-	250	-
Staff meeting and retreats	1,776	2	2	1,780	-
Subgrants	135,000	-	-	135,000	-
Supplies	-	1,369	531	1,900	597
Taxes and licenses	-	85	-	85	55
Telecommunications	-	3,246	-	3,246	2,940
Travel	6,539	50	48	6,637	791
Total other operating expenses	446,623	21,663	1,418	469,704	189,732
Total Functional Expenses (2018)	\$ 614,467	\$ 25,829	\$ 4,740	\$ 645,036	
% of Total Expenses	95%	4%	1%	100%	
Total Functional Expenses (2017)	\$ 246,953	\$ 20,574	\$ 7,168		\$ 274,695
% of Total Expenses	90%	7%	3%		100%

See Accompanying Notes to Financial Statements

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (75,449)	\$ 160,740
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
(Increase) in assets:		
Grants receivable	144,971	(150,000)
Increase (decrease) in liabilities:		
Accounts payable and other accrued liabilities	<u>81,427</u>	<u>(4,791)</u>
CASH PROVIDED BY OPERATING ACTIVITIES	150,949	5,949
CASH, Beginning of Year	<u>10,822</u>	<u>4,873</u>
CASH, End of Year	<u><u>\$ 161,771</u></u>	<u><u>\$ 10,822</u></u>

See Accompanying Notes to Financial Statements

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 1 – NATURE OF ORGANIZATION

On February 12, 2013, NILC Immigrant Justice Fund (“IJF” or the “Organization”), an affiliate organization of the National Immigration Law Center, was incorporated as a California nonprofit public benefit corporation. IJF is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code (IRC) and corresponding provisions of state law. The Organization's purpose is to promote social welfare to the extent permitted under Section 501(c)(4). IJF’s mission is to secure racial, economic and social justice for low-income immigrants in this country. It aims to both encourage full participation of low-income immigrants in the democratic process and to advance smart, effective and fair immigration policy. The IJF relies on its extensive connections with advocacy groups nationwide, combined with its staff's federal advocacy experience, expertise on issues that affect immigrants' daily lives, and distinctive use of policy, legal and communications strategies, to ensure that immigrants' rights advocates have a powerful impact on the shape and nature of immigration reform policies that come under consideration in Congress and in states and localities across the country.

Significant accomplishments in 2018 fiscal year include:

- Successfully challenging legislation to penalize so-called “sanctuary city” policies and criminalize undocumented workers.
- Improving the lives of low-income immigrants by successfully achieving, or making significant progress on, progressive state and local policies such as access to legal counsel, healthcare, and higher education in California, Colorado, New Jersey, Oregon, Tennessee, and others.
- Providing legal analysis, technical expertise, and messaging advice on various policy issues affecting immigrants, including access to healthcare and worker’s rights.
- Leading advocacy to highlight the dangerous repercussions of several federal government executive orders and bills related to immigration.
- Advocating for permanent legislative policy solutions that would allow immigrant youth to live, work, and pursue their educations without the fear of being deported or separated from their families.

The Organization operates on a very restricted budget, which minimized the level of revenue-raising activities for the years ended June 30, 2018 and 2017. Going forward, management plans to engage in more robust strategic fundraising plans to increase organizational revenues.

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of 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").

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 and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Assets – The financial statements are presented utilizing the accrual basis of accounting. IJF 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 IJF and changes therein are classified and reported by net asset class as follows:

- *Unrestricted* — These include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation. Unrestricted net assets generally result from revenues generated by providing program-related services, raising contributions, and performing administrative functions.
- *Temporarily Restricted* — The Organization reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from program or capital restrictions.
- *Permanently Restricted* — These net assets are received by donors who stipulate that resources are to be maintained permanently but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization has no permanently restricted net 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 unrestricted support, temporarily restricted support or permanently restricted support, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is, when a stipulated restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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

Fair Value of Financial Instruments – Financial Accounting Standards Board ("FASB") 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

In general, and where applicable, the Organization uses quoted prices in active markets for identical assets to determine fair value. If quoted prices in active markets for identical assets are not available to determine fair value, then they use quoted prices for similar assets or inputs other than the quoted prices that are observable either directly or indirectly. The Organization's cash is a Level 1 financial instrument.

Concentration of Credit Risks –

Grants and contributions receivable – As of June 30, 2018, 77% of grants and contributions receivable due was concentrated among one donor. As of June 30, 2017, grants and contributions receivable due was comprised of two donors only.

Contribution Revenues – For the year ended June 30, 2018, 52% of total revenues were received from one donor. For the year ended June 30, 2017, two donors comprised 76% of total revenues.

Financial instruments – Financial instruments that potentially expose the Organization to concentrations of credit risk consist of cash and cash equivalents. The Organization maintains its bank and investment accounts at high-credit quality financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, cash in these accounts may exceed the insured amounts.

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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

Income Taxes – The Organization is exempt from taxation under IRC Section 501(c)(4) and California Revenue and Taxation Code Section 23701(d). In accordance with FASB ASC Topic No. 740, "*Income Taxes*," the Organization recognized the impact of tax positions in the financial statements if those positions will more likely than not be sustained on audit, based on the technical merits of the position. The Organization is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization has no recognized / derecognized tax benefits or tax penalties or interest. The Organization's income tax returns remain subject to examination for all tax years ended on or after June 30, 2015 with regard to all tax positions and results reported.

Contributed Services – Contributions of donated noncash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at fair value. Some unpaid volunteers have made contributions of their time to the Organization. However, the value of these services is not reflected in these financial statements because the criteria for recognition have not been satisfied.

Functional Allocation of Expenses – The costs of providing programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Accordingly, certain costs are allocated among program services and supporting services based on estimates of employees' time incurred and on usage of resources.

Recently Issued Accounting Pronouncement – On August 18, 2016, the Financial Accounting Standards Board ("FASB") issued new rules for non-for-profit organizations ("NFPs") under Accounting Standards Update ("ASU") 2016-14 "*Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*." ASU 2016-14 changes the financial reporting format for nonprofit organization financial statements to simplify the way in which NFPs quantify and qualify their financial performance, their liquidity and cash flows, and their classification of net assets.

Five significant changes included in ASU 2016-14 are:

- (1) The existing three-class system of classifying net assets as unrestricted, temporarily restricted and permanently restricted will be replaced with a simpler two-class structure. Going forward, NFPs will differentiate net assets solely between those net assets with donor restriction and net assets without donor restrictions. NFPs will still be required to disclose the nature and amounts of donor-imposed restrictions.
- (2) The presentation of required disclosure of underwater endowment funds will change. When the fair market value of a donor-restricted endowment is less than the original gift amount or the amount the NFP is required to maintain by the donor or by law, NFPs will be required to also report the amount of the deficiency and their governing boards' policies or decisions to reduce or spend from these funds.

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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

- (3) NFPs will be required to disclose in financial statement notes qualitative information regarding how they will manage available liquid resources to meet cash needs for general expenses for the year following the balance sheet date. In addition, NFPs will be required to provide on the face of financial statements or in disclosure notes detailed quantitative information regarding their availability of financial assets at the balance sheet date to meet cash needs for the next year.
- (4) Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements. In addition to this change in the presentation of expenses, the method used to allocate costs among program and supporting activities functions is required to be disclosed.
- (5) Finally, NFP's may continue to present the statement of cash flows using either the direct or indirect method of reporting. However, under the new reporting standard, NFPs employing the direct method to report cash flow will no longer be required to provide a reconciliation of net income to the cash amounts presented under the indirect method.

The effective date of ASU 2016-14 will be for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted but not required in the initial year of application. Management is currently evaluating the impact these changes in accounting standards will have on the Organization's financial statements and related disclosures.

In May 2014, the FASB issued ASU 2014-09, *"Revenue from Contracts with Customers,"* which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one year deferral of this standard, with a revised effective date for fiscal years beginning after December 15, 2017. The standard permits the use of either the retrospective or modified retrospective (cumulative effect) transition method. Management is currently evaluating the impact this change in accounting standards will have on the financial statements and related disclosures and has not yet selected a transition method.

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

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

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

Specifically, the amendments provide

- (1) Clarification of how an NFP determines whether a resource provider is participating in an exchange transaction or a contribution,
- (2) Guidance for evaluating whether contributions are considered conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome, and (2) a right of return or release of obligation, and
- (3) Modification of the simultaneous release option currently in GAAP, which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that revenue is recognized.

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

Subsequent events – Subsequent events have been evaluated through April 4, 2019, which is the date the financial statements were available to be issued.

NOTE 3 – RELATED PARTY TRANSACTIONS

The Organization and the National Immigration Law Center ("NILC") share several common board members and share certain administration resources, such as office space, furniture and equipment, and jointly employ certain employees and consultants. The Organization and NILC entered into a Resource Sharing Agreement for the reasonable allocation between the parties of the expenses associated with use of shared or joint resources. NILC also pays other expenses on behalf of IJF, which are reimbursed by IJF on a direct-allocation basis. During the years ended June 30, 2018 and 2017, the Organization was charged \$271,210 and \$106,753, respectively for shared resources. For the year ended June 30, 2018, resource sharing included \$26,110 of costs related to a special event. This amount is netted against special event income on the accompanying statement of activities for the year ended June 30, 2018.

During the fiscal years ended June 30, 2018, and 2017, NILC awarded IJF re-granted funds for operational expenses. The total amount awarded was \$309,606 and \$231,954, respectively. Amounts between NILC and IJF are settled on a month-to-month basis.

At the end of the fiscal year ended June 30, 2018, there was a payable to NILC of \$40,352 for shared resources and a grant receivable from NILC of \$16,438. At the end of fiscal year ended June 30, 2017, the related party payable/receivable netted to \$0. The grant receivable from NILC as of June 30, 2018 is unsecured, bears interest at 0.5% per month, and was settled during the ordinary course of business subsequent to fiscal year end.

NILC IMMIGRANT JUSTICE FUND
(A California Nonprofit Public Benefit Corporation)
Notes to Financial Statements
June 30, 2018 and 2017

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

Changes in temporarily restricted net assets were as follows:

	Available at June 30, 2017	New Grants	Expenditures / Releases from Restriction	Available at June 30, 2018
Center for Community Change	\$ -	\$ 25,000	\$ (25,000)	\$ -
Voqal Fund	-	70,000	(70,000)	-
Time Restricted Grants	150,000	-	(150,000)	-
	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>
Total	<u>\$ 150,000</u>	<u>\$ 95,000</u>	<u>\$ (245,000)</u>	<u>\$ -</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Litigation – From time to time, the Organization may be involved in certain legal proceedings and claims that arise in the normal course of business. Management does not believe that the outcome of these matters will have a material effect on the Organization's statements of financial position or activities.