Center for Immigration Studies, Inc. and Affiliate

Consolidated Financial Statements

Years Ended December 31, 2018 and 2017

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
Center for Immigration Studies, Inc. and Affiliate
Washington, District of Columbia

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Center for Immigration Studies, Inc. and Affiliate (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Center for Immigration Studies, Inc. and Affiliate as of December 31, 2018 and 2017, and the changes in their net assets, functional expenses and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DIXON HUGHES GOODMAN LLP

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Center adopted FASB ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities in 2018. Our opinion is not modified with respect to that matter.

Dixon Hughes Goodman LLP

Tysons, Virginia
July 29, 2019

Center for Immigration Studies, Inc. and Affiliate
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017 (As Adjusted)
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 2,533,096**	$ 2,355,112
Prepaid expenses	**47,322**	42,583
Investments	**1,476,820**	1,422,763
Total current assets	**4,057,238**	3,820,458
Property and equipment, net	**59,119**	25,953
Other assets:		
Security deposits	**14,215**	14,215
Total assets	**$ 4,130,572**	$ 3,860,626
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	**$ 241,010**	$ 205,006
Payroll taxes payable	**12,744**	43,298
Total current liabilities	**253,754**	248,304
Long-term liabilities:		
Deferred rent	**62,773**	68,657
Total liabilities	**316,527**	316,961
Net assets:		
Without donor restrictions	**3,718,212**	3,442,332
With donor restrictions	**95,833**	101,333
Total net assets	**3,814,045**	3,543,665
Total liabilities and net assets	**$ 4,130,572**	$ 3,860,626

Center for Immigration Studies, Inc. and Affiliate
Consolidated Statements of Activities
Years Ended December 31, 2018 and 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Contributions	$ 3,729,903	$ -	$ 3,729,903	$ 2,971,988	$ -	$ 2,971,988
Honoria	101	-	101	106	-	106
Interest and dividend income	30,996	-	30,996	22,264	-	22,264
Unrealized gain (loss) on investments	(70,728)	-	(70,728)	145,789	-	145,789
Loss on disposal of property and equipment	(2,996)	-	(2,996)	(741)	-	(741)
Donated services	-	-	-	57,359	-	57,359
Net assets released from restrictions:						
Satisfaction of program restrictions	5,500	(5,500)	-	24,025	(24,025)	-
Total revenue	3,692,776	(5,500)	3,687,276	3,220,790	(24,025)	3,196,765
Expenses and losses:						
Program services	2,743,710	-	2,743,710	2,451,592	-	2,451,592
General administrative	356,357	-	356,357	353,550	-	353,550
Fundraising	316,829	-	316,829	273,159	-	273,159
Total expenses	3,416,896	-	3,416,896	3,078,301	-	3,078,301
Change in net assets	275,880	(5,500)	270,380	142,489	(24,025)	118,464
Net assets, beginning of year	3,442,332	101,333	3,543,665	3,299,843	125,358	3,425,201
Net assets, end of year	$ 3,718,212	$ 95,833	$ 3,814,045	$ 3,442,332	$ 101,333	$ 3,543,665

See accompanying notes.

Center for Immigration Studies, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018, with Comparative Totals for 2017

	Program Services	General Administrative	Fundraising	Total 2018	Total 2017
Salaries	$ 1,600,924	$ 200,116	$ 200,115	**$ 2,001,155**	$ 1,746,807
Employee benefits	243,703	30,463	30,463	**304,629**	290,480
Consultants	414,067	-	-	**414,067**	285,600
Rent	159,901	17,550	17,550	**195,001**	194,809
Authors' fees	13,283	-	-	**13,283**	68,139
Payroll taxes	109,101	13,638	13,638	**136,377**	124,936
Meetings	77,360	-	19,340	**96,700**	63,152
Travel	26,120	-	26,120	**52,240**	35,120
Printing and copying	10,042	-	-	**10,042**	39,978
Professional fees	-	60,225	-	**60,225**	85,553
Telephone	9,984	1,598	1,731	**13,313**	13,136
Repairs and maintenance	7,965	1,275	1,381	**10,621**	4,327
Internet	21,755	-	-	**21,755**	40,158
Insurance	6,781	1,085	1,175	**9,041**	7,562
Office supplies	6,805	1,089	1,180	**9,074**	8,031
Publications	14,254	-	750	**15,004**	10,197
Postage and delivery	1,638	-	409	**2,047**	3,107
Payroll processing	4,087	511	511	**5,109**	5,921
Dues and subscriptions	-	4,750	-	**4,750**	6,279
Miscellaneous	-	21,780	-	**21,780**	20,457
Office expense	2,653	425	460	**3,538**	12,321
Conferences	1,711	-	-	**1,711**	-
Depreciation	11,576	1,852	2,006	**15,434**	12,231
	$ 2,743,710	$ 356,357	$ 316,829	**$ 3,416,896**	$ 3,078,301
Total expenses, year ended December 31, 2017	$ 2,451,592	$ 353,550	$ 273,159		$ 3,078,301

See accompanying notes.

Center for Immigration Studies, Inc. and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ 270,380**	$ 118,464
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	**15,434**	12,231
Unrealized (gain) loss on investments	**70,728**	(145,789)
Loss on disposal of property and equipment	**2,996**	741
Change in:		
Prepaid expenses	**(4,739)**	(18,239)
Deposits	**-**	(220)
Accounts payable and accrued expenses	**36,004**	43,685
Payroll taxes payable	**(30,554)**	9,329
Deferred rent	**(5,884)**	317
Net cash provided by operating activities	**354,365**	20,519
Cash flows from investing activities:		
Purchase of property and equipment	**(51,596)**	(8,084)
Sales and maturities of investments	**222,283**	169,391
Purchase of investments	**(347,068)**	(239,700)
Net cash used by investing activities	**(176,381)**	(78,393)
Net change in cash and cash equivalents	**177,984**	(57,874)
Cash and cash equivalents, beginning of year	**2,355,112**	2,412,986
Cash and cash equivalents, end of year	**$ 2,533,096**	$ 2,355,112

Notes to Consolidated Financial Statements

1. Organization and Nature of Activities

The consolidated financial statements include the accounts of Center for Immigration Studies, Inc. (CIS) and Immigration Research Fund (Fund), collectively, the Center. Accounting standards require consolidation of not-for-profit organizations if the reporting not-for-profit organization has control of other entities through a majority voting interest in the Board of the related entity and an economic interest in that entity. Accordingly, the Fund's financial statements have been consolidated with the statements of the Center and intercompany accounts and transactions have been eliminated in the consolidated financial statements.

Center for Immigration Studies, Inc. is a nonstock, not-for-profit organization formed January 9, 1986, which is devoted to research and policy analysis that studies immigration's effects on the broad national interests of the United States - economic, social, demographic and environmental.

Immigration Research Fund is a nonstock, not-for-profit organization was formed and incorporated on May 18, 2018, which is organized and operated exclusively for charitable, educational and scientific purposes, not for pecuniary profit, and no part of the net earnings of the Corporation shall inure to the benefit of any person or non-exempt entity.

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Center are presented on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when the obligation is incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Revenue recognition

The Center's primary source of revenue comes from individual contributions and grants from foundations. Both are recognized as revenue when received or unconditionally pledged.

Classes of net assets

The financial statements report separately by class of net assets as follows:

- Net assets without donor restrictions – not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Center's management and the board of directors.

- Net assets with donor restrictions – subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and cash equivalents

The Center considers all highly liquid investments purchased with maturities of three months or less to be cash equivalents.

Contributions and accounts receivable

Unconditional contributions receivable are recognized as revenue when the promise is received. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met. Contribution receivables due in more than one year are discounted to their present value (estimated fair value) using a rate commensurate with the risks involved.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value as determined by quoted market price. Certificates of deposit are reported at carrying value. Realized and unrealized gains and losses are included in the statements of activities.

Income taxes

CIS and the Fund are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and the tax statutes of the District of Columbia; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The Center has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2018 and 2017.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and effort
Employee benefits	Time and effort
Rent	Square Footage
Payroll taxes	Time and effort
Meetings	Time and effort
Travel	Time and effort
Telephone	Time and effort
Repairs and maintenance	Time and effort
Insurance	Time and effort
Office supplies	Time and effort
Publications	Time and effort
Postage and delivery	Time and effort
Payroll processing	Time and effort
Office expense	Time and effort
Depreciation	Time and effort

Property and equipment

Purchases of property and equipment in excess of $500 are reported at cost. Depreciation is computed using the straight-line method over estimated useful lives of 3 to 5 years for the furniture and equipment and 3 to 5 years for website and software costs.

Donated services

The Center recognizes donated services at their fair value if the services have value and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors.

Estimates

The preparation of 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 and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Subsequent events

In preparing these consolidated financial statements, the Center has evaluated events and transactions for potential recognition or disclosures through July 29, 2019, the date the consolidated financial statements were available to be issued.

New Accounting Pronouncement

During 2018, the Center adopted ASU No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity of available resources, and the lack of consistency in the type of information provided about expenses and investment return. The 2017 financial statements have been adjusted to reflect retrospective application of the new accounting guidance, except for the disclosures around liquidity and availability of resources and analysis of expenses by functional and natural categories. These disclosures have been presented only for 2018 as permitted by ASU No. 2016-14. The retrospective application resulted in temporarily restricted net assets of $101,333 being reported as net assets with donor restrictions and unrestricted net assets of $3,442,332 being reported as net assets without donor restrictions as of December 31, 2017.

Recently issued accounting standards

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, “Revenue from Contracts with Customers (Topic 606)”. The core principle of this standard is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The FASB issued four additional standards that amended and/or clarified certain guidance and provisions in ASU 2014-09, all of which are effective for the Center for the year beginning January 1, 2019. The Center is currently evaluating the impact on its financial statements as a result of the adoption of these new standards.

Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued Accounting Standards Updated (ASU) 2018-08, “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions (Topic 958)”. Under this guidance, it provides clarification for determining whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional. The FASB issued four additional standards that amended and/or clarified certain guidance and provisions in ASU 2018-08, all of which were effective for the Center January 1, 2019. The Center is currently evaluating the impact on its financial statements are a result of the adoption of these new standards.

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases”. Under the new standards, lessees will need to recognize a right-of-use asset and a lease liability for virtually all their leases (other than leases that meet the definition of a short-term lease). The liability will be equal to the present value of lease payments. For income statement purposes, the FASB continued the dual model, requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a front-loaded expense pattern (similar to current capital leases). Classification will be based on criteria that are largely similar to those applied to current lease accounting. Extensive quantitative and qualitative disclosures will be required to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing contracts. The new standard will be effective for the Center for the year beginning January 1, 2020, and the Center is currently evaluating the effect this accounting standard may have on its financial statements.

3. Availability and Liquidity

The following represents the Foundation's financial assets at December 31, 2018:

Financial assets:	
Cash and cash equivalents	$ 2,533,096
Investments	1,476,820
Total financial assets	$ 4,009,916
Less amounts not available to be used within one year:	
Net assets with donor restrictions	95,833
Financial assets available to meet general expenditures over the next twelve months	$ 3,914,083

The Center's goal is generally to maintain financial assets in reserve to meet six months of operating expenses (approximately $1.5 million). As part of its liquidity plan, excess cash is invested in investments in accordance with the Association's investment policies.

4. Investments

Investments consist of the following as of December 31, 2018 and 2017:

	2018		2017	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Certificates of deposit	**$ 223,354**	**$ 223,354**	$ 221,303	$ 221,303
Bond mutual funds	**197,065**	**198,455**	197,065	194,835
Equity mutual funds	**763,245**	**1,055,011**	644,059	1,006,625
	$ 1,183,664	**$ 1,476,820**	$ 1,062,427	$ 1,422,763

The following schedule summarizes investment return for 2018 and 2017:

	2018	**2017**
Interest and dividend income	**$ 24,785**	$ 18,591
Unrealized gain (loss) on investments	**(70,728)**	145,789
	(45,943)	164,380
Interest income on cash accounts	**6,211**	3,673
	$ (39,732)	$ 168,053

5. Property and Equipment

Major classes of property and equipment consist of the following:

	2018	2017
Furniture and equipment	**$ 77,526**	$ 85,791
Website and software costs	**47,737**	63,057
	125,263	148,848
Less - accumulated depreciation	**(66,144)**	(122,895)
	$ 59,119	$ 25,953

6. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarch is based on three levels of inputs, of which the first two are considered observable and last unobservable, that may be used to measure fair value. The three levels are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted market prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Unobservable inputs about which little or no market data exists, there requiring an entity to develop its own assumption.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Center's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2018 and 2017.

Equity and bond mutual funds: Mutual funds are publicly traded investments and are valued daily at the closing price reported on the active market on which the funds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level within the fair value, hierarchy the Center's investments at fair value as of December 31, 2018 and 2017:

	Assets at Fair Value as of December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Equity mutual funds:				
Large-cap blend	**$ 1,054,571**	**$ -**	**$ -**	**$ 1,054,571**
Large growth	**440**	**-**	**-**	**440**
Bond mutual funds:				
Mid-limited	**198,455**	**-**	**-**	**198,455**
Total assets at fair value	**$ 1,253,466**	**$ -**	**$ -**	**$ 1,253,466**

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Large-cap blend	$ 1,006,625	$ -	$ -	$ 1,006,625
Bond mutual funds:				
Mid-limited	194,835	-	-	194,835
Total assets at fair value	$ 1,201,460	$ -	$ -	$ 1,201,460

7. Operating Leases

The Center entered into a lease with payments commencing on May 1, 2012. This lease is for office space located in Washington, D.C. Under the terms of the lease, the Center is responsible for its proportionate share of operating expenses and real estate taxes in addition to the monthly base rent. The lease term runs through July 2022. Rent expense under this lease was $195,001 and $194,809 in 2018 and 2017, respectively. Future minimum lease payments under the noncancelable lease are as follows for the years ending December 31:

2019	$ 202,761
2020	207,830
2021	213,025
2022	126,626
	$ 750,242

8. Retirement Plan

The Center sponsors a defined contribution tax deferred 403(b) savings plan. Employees with at least one year of service are eligible to participate in the plan administered by USAA Life Insurance Company. All eligible employees must contribute a minimum of 2.5% of their gross salary to participate in the plan. The Center will match an employee's contribution of the first 2.5% of the employee's gross salary. After three years and five years of service, the Center will match 5% and 7.5%, respectively, of an eligible employee's gross salary. For 2018 and 2017, the amount of retirement plan expense included in employee benefits was $97,798 and $89,988, respectively.

9. Net Assets with Donor Restrictions

The Center has projects with donor restrictions related to the purposes of the expenditure of funds. Although the grantors restricted the use of the funds for these particular projects, the degree of control exercised by the grantors is minimal. Progress and financial reports are provided to grantors upon request. Net assets with donor restrictions were as follows at December 31:

	2018	2017
Immigration Reform Information Exchange	**$ 75,833**	$ 81,333
National Security (Bradley Foundation)	**20,000**	20,000
	$ 95,833	$ 101,333

10. Board Designated Endowment

The Board of Directors established a board-designated endowment in 2007. The Board adopted a policy whereby undesignated bequests will be placed, in their entirety, into the endowment fund and no withdrawals can be made from the endowment fund until the fund reaches one million dollars. The fund had a balance of $554,901 and $479,707 as of December 31, 2018 and 2017, respectively, and is included in net assets without donor restrictions in the consolidated statements of financial position.

11. Concentration of Credit Risk and Revenue Sources

Financial instruments that potentially subject the Center to concentration of credit risk consist of cash accounts. The Center places its cash accounts with high credit quality financial institutions. On December 31, 2018 and 2017, cash balances, including certificates of deposit, exceeded the Federal Deposit Insurance Corporation limits. The Center has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash and cash equivalents.

For 2018 and 2017, 68% and 67%, respectively, of the Center’s revenues and support was from two donors.

12. Donated Services

During 2018 and 2017, legal services with an estimated market value of $0 and $57,359, respectively, were contributed to the Center by a law firm.