



Center for Immigration Studies, Inc. and Affiliate

Consolidated Financial Statements

Years Ended December 31, 2020 and 2019



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Independent Auditors' Report

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

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, 2020 and 2019, 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, 2020 and 2019, and the changes in their net assets 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

Tysons, VA
June 23, 2021

Center for Immigration Studies, Inc. and Affiliate
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,333,590	\$ 1,880,029
Accounts receivable	6,141	16,250
Prepaid expenses	15,977	42,741
Investments	<u>2,211,578</u>	<u>2,160,157</u>
Total current assets	4,567,286	4,099,177
Property and equipment, net	33,886	47,335
Other assets:		
Security deposits	<u>14,215</u>	<u>14,215</u>
Total assets	<u>\$ 4,615,387</u>	<u>\$ 4,160,727</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 374,768	\$ 280,974
Paycheck Protection Program loan, current portion	121,639	-
Payroll taxes payable	<u>129</u>	<u>-</u>
Total current liabilities	496,536	280,974
Long-term liabilities:		
Paycheck Protection Program loan, less current portion	243,261	-
Deferred rent	<u>35,886</u>	<u>52,204</u>
Total liabilities	<u>775,683</u>	<u>333,178</u>
Net assets:		
Without donor restrictions	3,665,297	3,745,092
With donor restrictions	<u>174,407</u>	<u>82,457</u>
Total net assets	<u>3,839,704</u>	<u>3,827,549</u>
Total liabilities and net assets	<u>\$ 4,615,387</u>	<u>\$ 4,160,727</u>

See accompanying notes.

Center for Immigration Studies, Inc. and Affiliate
Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:						
Contributions	\$ 2,811,927	\$ 150,000	\$ 2,961,927	\$ 3,479,747	\$ 49,590	\$ 3,529,337
Other income	23,665	-	23,665	92	-	92
Interest and dividend income	41,655	-	41,655	42,560	-	42,560
Unrealized gain (loss) on investments	291,346	-	291,346	307,526	-	307,526
Loss on disposal of property and equipment	(797)	-	(797)	(308)	-	(308)
Net assets released from restrictions:						
Satisfaction of program restrictions	58,050	(58,050)	-	62,966	(62,966)	-
Total revenue	<u>3,225,846</u>	<u>91,950</u>	<u>3,317,796</u>	<u>3,892,583</u>	<u>(13,376)</u>	<u>3,879,207</u>
Expenses:						
Program services	2,508,264	-	2,508,264	3,057,301	-	3,057,301
General administrative	532,131	-	532,131	496,408	-	496,408
Fundraising	265,246	-	265,246	311,994	-	311,994
Total expenses	<u>3,305,641</u>	<u>-</u>	<u>3,305,641</u>	<u>3,865,703</u>	<u>-</u>	<u>3,865,703</u>
Change in net assets	(79,795)	91,950	12,155	26,880	(13,376)	13,504
Net assets, beginning of year	3,745,092	82,457	3,827,549	3,718,212	95,833	3,814,045
Net assets, end of year	<u>\$ 3,665,297</u>	<u>\$ 174,407</u>	<u>\$ 3,839,704</u>	<u>\$ 3,745,092</u>	<u>\$ 82,457</u>	<u>\$ 3,827,549</u>

Center for Immigration Studies, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>	<u>General Administrative</u>	<u>Fundraising</u>	<u>Total 2020</u>
Salaries	\$ 1,396,662	\$ 174,583	\$ 174,583	\$ 1,745,828
Employee benefits	250,627	31,328	31,328	313,283
Consultants	439,659	-	-	439,659
Rent	175,045	19,212	19,212	213,469
Authors' fees	600	-	-	600
Payroll taxes	105,710	13,214	13,214	132,138
Meetings	3,798	-	950	4,748
Travel	7,235	11,620	3,069	21,924
Printing and copying	234	156	3,506	3,896
Professional fees	-	268,270	-	268,270
Telephone	10,106	1,617	1,752	13,475
Repairs and maintenance	2,006	321	348	2,675
Internet	17,015	2,722	2,949	22,686
Insurance	6,655	1,065	1,153	8,873
Office supplies	3,062	490	531	4,083
Publications	13,941	-	734	14,675
Postage and delivery	1,154	1,255	2,609	5,018
Payroll processing	4,690	586	586	5,862
Dues and subscriptions	1,535	2,132	4,861	8,528
Miscellaneous	5,439	868	943	7,250
Office expense	4,395	703	762	5,860
Conferences	1,012	-	-	1,012
Promotion	45,253	-	-	45,253
Depreciation	12,431	1,989	2,156	16,576
	<u>\$ 2,508,264</u>	<u>\$ 532,131</u>	<u>\$ 265,246</u>	<u>\$ 3,305,641</u>

Center for Immigration Studies, Inc. and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program Services</u>	<u>General Administrative</u>	<u>Fundraising</u>	<u>Total 2019</u>
Salaries	\$ 1,666,366	\$ 208,296	\$ 208,296	\$ 2,082,958
Employee benefits	262,120	32,765	32,765	327,650
Consultants	534,320	-	-	534,320
Rent	170,503	18,714	18,714	207,931
Authors' fees	37,280	-	-	37,280
Payroll taxes	110,191	13,774	13,774	137,739
Meetings	47,111	-	11,778	58,889
Travel	57,191	41,594	5,199	103,984
Printing and copying	3,884	832	832	5,548
Professional fees	-	163,127	-	163,127
Telephone	11,621	1,859	2,014	15,494
Repairs and maintenance	4,068	651	705	5,424
Internet	24,875	3,980	4,312	33,167
Insurance	4,318	691	748	5,757
Office supplies	13,672	2,187	2,370	18,229
Publications	11,734	-	618	12,352
Postage and delivery	1,706	1,656	1,656	5,018
Payroll processing	4,858	607	607	6,072
Dues and subscriptions	(911)	2,114	3,747	4,950
Miscellaneous	3,988	637	691	5,316
Office expense	5,587	894	968	7,449
Conferences	4,631	-	-	4,631
Promotion	65,499	-	-	65,499
Depreciation	12,689	2,030	2,200	16,919
	<u>\$ 3,057,301</u>	<u>\$ 496,408</u>	<u>\$ 311,994</u>	<u>\$ 3,865,703</u>

Center for Immigration Studies, Inc. and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 12,155	\$ 13,504
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	16,576	16,919
Unrealized (gain) loss on investments	(291,346)	(307,526)
Loss on disposal of property and equipment	797	308
Change in:		
Accounts receivable	10,109	(16,250)
Prepaid expenses	26,764	4,581
Accounts payable and accrued expenses	93,794	39,964
Payroll taxes payable	129	(12,744)
Deferred rent	(16,318)	(10,569)
Net cash used by operating activities	<u>(147,340)</u>	<u>(271,813)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(3,924)	(5,443)
Sales and maturities of investments	483,008	1,025,639
Purchase of investments	(243,083)	(1,401,450)
Net cash provided by (used in) investing activities	<u>236,001</u>	<u>(381,254)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>364,900</u>	-
Net cash provided by financing activities	<u>364,900</u>	-
Net change in cash and cash equivalents	453,561	(653,067)
Cash and cash equivalents, beginning of year	<u>1,880,029</u>	<u>2,533,096</u>
Cash and cash equivalents, end of year	<u>\$ 2,333,590</u>	<u>\$ 1,880,029</u>
Noncash transactions:		
Donated securities	<u>\$ 19,866</u>	<u>\$ 13,802</u>

See accompanying notes.

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 formed and incorporated on November 15, 2017, 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 organization shall inure to the benefit of any person or non-exempt entity.

2. Summary of Significant Accounting Policies

Basis of presentation

The consolidated 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 consolidated 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. Other income is recognized when earned.

Classes of net assets

The consolidated 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 without donor restrictions also include board designated funds. Board designated net assets at December 31, 2020 and 2019 totaled \$934,333 and \$772,253, respectively. See Note 11 for additional disclosure.
- 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, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions at December 31, 2020 and 2019 were \$174,407 and \$82,457, respectively.

Center for Immigration Studies, Inc. and Affiliate
Notes to Consolidated Financial Statements

Cash and cash equivalents

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

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. The Center classifies accounts receivable as current asset and provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. As of December 31, 2020 and 2019, there was no allowance for doubtful accounts.

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 on the consolidated statements of financial position. Realized and unrealized gains and losses are included in the consolidated 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 consolidated 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, 2020 and 2019.

Functional expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated 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:

<u>Expense</u>	<u>Method of Allocation</u>
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	Actual usage
Repairs and maintenance	Time and effort
Insurance	Square footage
Office supplies	Actual usage
Publications	Time and effort
Postage and delivery	Actual usage
Payroll processing	Actual usage
Office expense	Actual usage
Depreciation	Square footage

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. When the assets are sold or disposed, the cost and related accumulated depreciation are removed from the accounts with any gain or loss reflected in the current year's operations. Expenditures for maintenance and repairs are expensed as incurred.

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. There were no in-kind contributed services received in 2020 and 2019.

Estimates

The preparation of consolidated 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 consolidated 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 June 23, 2021, the date the consolidated financial statements were available to be issued.

On April 14, 2021, the Center was granted a loan from United Bank in the aggregate amount of \$366,160 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economy Security (CARES) Act, which was enacted on March 17, 2020. A feature of this program is that a portion or all of loans under PPP may effectively be converted to a grant through a special loan forgiveness provision if certain criteria are met.

In April 2021, the Center amended the office lease to extend the term of the lease for an additional term of eleven years through July 31, 2033. The annual base rent effective April 1, 2021 would be \$174,838 with an annual escalation of 2.5%. See Note 7 for further lease information.

New accounting pronouncement

Revenue from Contracts with Customers

As of January 1, 2020, the Center has adopted Accounting Standards Update (ASU) No 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Center's financial reporting.

Analysis of various provisions of this standard resulted in no significant changes in the way the Center recognizes revenue and, therefore, no changes to the previously issued financial statements were required on a retrospective basis. The presentation and disclosures for revenue have been enhanced in accordance with the standard.

Center for Immigration Studies, Inc. and Affiliate
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Recent accounting pronouncement

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, 2022, and the Center is currently evaluating the effect this accounting standard may have on its consolidated financial statements.

3. Availability and Liquidity

The following represents the Center's financial assets at December 31:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 2,333,590	\$ 1,880,029
Accounts receivable	6,141	16,250
Prepaid expenses	15,977	42,741
Investments	<u>2,211,578</u>	<u>2,160,157</u>
Total financial assets	<u>4,567,286</u>	<u>4,099,177</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	174,407	82,457
Board designated funds	<u>934,333</u>	<u>772,253</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,458,546</u>	<u>\$ 3,244,467</u>

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 Center's investment policies.

Center for Immigration Studies, Inc. and Affiliate
Notes to Consolidated Financial Statements

4. Investments

Investments consist of the following as of December 31, 2020 and 2019:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Certificates of deposit	\$ 61,004	\$ 61,004	\$ 352,174	\$ 352,174
Money market	103,027	103,027	103,082	103,083
Bond mutual funds	212,554	213,450	206,809	205,827
Equity mutual funds	948,673	1,834,097	903,117	1,499,073
	<u>\$ 1,325,258</u>	<u>\$ 2,211,578</u>	<u>\$ 1,565,182</u>	<u>\$ 2,160,157</u>

The following schedule summarizes investment return for 2020 and 2019:

	2020	2019
Interest and dividend income	\$ 36,370	\$ 35,287
Unrealized gain on investments	291,346	307,526
	<u>327,716</u>	<u>342,813</u>
Interest income on cash accounts	5,285	7,273
	<u>\$ 333,001</u>	<u>\$ 350,086</u>

5. Property and Equipment

Major classes of property and equipment consist of the following:

	2020	2019
Furniture and equipment	\$ 79,824	\$ 81,156
Website and software costs	45,207	45,962
	<u>125,031</u>	<u>127,118</u>
Less - accumulated depreciation	(91,145)	(79,783)
	<u>\$ 33,886</u>	<u>\$ 47,335</u>

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 hierarchy 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:

Center for Immigration Studies, Inc. and Affiliate
Notes to Consolidated Financial Statements

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, 2020 and 2019.

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.

Certificates of deposit: are valued at amortized cost.

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, 2020 and 2019:

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Large-cap blend	\$ 1,831,478	\$ -	\$ -	\$ 1,831,478
Large growth	2,619	-	-	2,619
Bond mutual funds:				
Mid-limited	213,450	-	-	213,450
Certificates of deposit	-	61,004	-	61,004
Total assets at fair value	<u>\$ 2,047,547</u>	<u>\$ 61,004</u>	<u>\$ -</u>	<u>\$ 2,108,551</u>

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Equity mutual funds:				
Large-cap blend	\$ 1,497,750	\$ -	\$ -	\$ 1,497,750
Large growth	1,323	-	-	1,323
Bond mutual funds:				
Mid-limited	205,827	-	-	205,827
Certificates of deposit	-	352,174	-	352,174
Total assets at fair value	<u>\$ 1,704,900</u>	<u>\$ 352,174</u>	<u>\$ -</u>	<u>\$ 2,057,074</u>

7. Operating Lease

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 \$191,512 and \$191,901 in 2020 and 2019, respectively. Future minimum lease payments under the noncancelable lease are as follows for the years ending December 31:

2021	\$	183,512
2022		<u>178,116</u>
	\$	<u>361,628</u>

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 2020 and 2019, the amount of retirement plan expense included in employee benefits was \$93,623 and \$108,066, respectively.

9. Paycheck Protection Program Loan

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020. The CARES Act provides for the establishment of the Payroll Protection Program (PPP), a new loan program under the Small Business Administration's 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

On April 9, 2020, the Center was granted a loan in the aggregate amount of \$364,900 under the Paycheck Protection Program ("PPP"). The loan, which was in the form of a note dated April 9, 2020 issued by the Center, matures on April 9, 2022. The note will be paid with 17 consecutive monthly payments of principal and interest in the amount of \$20,535 beginning on November 9, 2020. One final balloon payment will be due on the maturity date in an amount equal to the then unpaid principal and accrued interest. Interest will begin to accrue on the note date and will be payable beginning on October 9, 2020. The interest rate is fixed at 1.0% per annum. The note may be prepaid by the Center at any time prior to maturity with no prepayment penalties. Funds from the loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Center intends to use the entire loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the loans may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Center believes it has used the proceeds of the loans for qualifying expenses under the PPP. However, additional steps must be taken to apply for and receive forgiveness. Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for ten months from the end of the Center's covered period. While the Center currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it is uncertain at this time what portion of the PPP loan may be forgiven, if any. No payment was made on the loan during the year ended December 31, 2020.

Center for Immigration Studies, Inc. and Affiliate
Notes to Consolidated Financial Statements

Maturities for the year ended December 31:

2021	\$	121,639
2022		<u>243,261</u>
	\$	<u>364,900</u>

10. 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:

	<u>2020</u>	<u>2019</u>
Immigration Reform Information Exchange	<u>\$ 174,407</u>	<u>\$ 82,457</u>

11. 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 \$934,333 and \$772,253 as of December 31, 2020 and 2019, respectively, and is included in net assets without donor restrictions in the consolidated statements of financial position.

12. 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, 2020 and 2019, 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 2020 and 2019, 73% and 58%, respectively, of the Center's revenues and support was from one donor.

13. Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak and spread of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak has had far reaching and unpredictable impacts on the global economy, supply chains, financial markets, and global business operations of a variety of industries. Governments have taken substantial action to contain the spread of the virus including mandating social distancing, suspension of certain gatherings, and shuttering of certain nonessential businesses.

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The COVID-19 pandemic has disrupted the operations of the organization and there is significant uncertainty in the nature and degree of its continued effects on the organization over time. The extent to which it will impact their business going forward will depend on a variety of factors including the duration and continued spread of the outbreak, impact on their donors, employees and vendors, as well as governmental, regulatory and private sector responses. Further, the pandemic may have a significant impact on management's accounting estimates and assumptions.