

IMMIGRATION EQUALITY

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2008

IMMIGRATION EQUALITY

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Independent Auditor's Report

Board of Directors Immigration Equality

We have audited the accompanying balance sheet of Immigration Equality as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Immigration Equality's 2007 financial statements and, in our report dated June 16, 2008 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Immigration Equality's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Immigration Equality as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Loeb + Troper LLP

May 7, 2009

IMMIGRATION EQUALITY

BALANCE SHEET

DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents	\$ 262,998	\$ 323,081
Investments (Note 9)	270,451	731
Accounts receivable	4,236	399
Contributions receivable (Note 8)	255,805	268,063
Security deposits	9,752	9,752
Other assets	1,555	1,169
Fixed assets - net (Note 3)	<u>39,273</u>	<u>45,612</u>
Total assets	<u>\$ 844,070</u>	<u>\$ 648,807</u>
LIABILITIES AND NET ASSETS		
Accounts payable, accrued expenses and accrued vacation	\$ 22,044	\$ 19,408
Sublease security deposit	1,100	1,100
Deferred rent charges	<u>2,146</u>	<u>3,156</u>
Total liabilities	<u>25,290</u>	<u>23,664</u>
Net assets (Exhibit B)		
Unrestricted	643,780	405,143
Temporarily restricted (Note 4)	<u>175,000</u>	<u>220,000</u>
Total net assets	<u>818,780</u>	<u>625,143</u>
Total liabilities and net assets	<u>\$ 844,070</u>	<u>\$ 648,807</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

IMMIGRATION EQUALITY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008
 (With Summarized Financial Information
 for the Year Ended December 31, 2007)

	2008			2007
	Unrestricted	Temporarily Restricted	Total	
Revenues and other support				
Contributions	\$ 319,249	\$	\$ 319,249	\$ 267,850
Special events				
Less direct cost of special events	128,572		128,572	99,695
Foundation grants	463,591	\$ 100,000	563,591	545,000
Donated services (Note 2)	11,444,484		11,444,484	5,353,144
Interest income	4,716		4,716	2,013
Unrealized loss on investments	(280)		(280)	
Other revenues	1,748		1,748	1,667
Subleased rental revenue (Note 6)	13,448		13,448	8,750
Net assets released from restrictions				
Expiration of time restrictions (Note 5)	145,000	(145,000)		
Total revenues and other support	12,520,528	(45,000)	12,475,528	6,278,119
Expenses (Exhibit C)				
Program				
Legal	11,724,101		11,724,101	5,540,937
Outreach	413,540		413,540	262,093
Management and general	57,182		57,182	62,750
Fund raising	87,068		87,068	99,038
Total expenses	12,281,891		12,281,891	5,964,818
Change in net assets (Exhibit D)	238,637	(45,000)	193,637	313,301
Net assets - beginning of year	405,143	220,000	625,143	311,842
Net assets - end of year (Exhibit A)	\$ 643,780	\$ 175,000	\$ 818,780	\$ 625,143

See independent auditor's report.

The accompanying notes are an integral part of these statements.

IMMIGRATION EQUALITY

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2008
(With Summarized Financial Information
for the Year Ended December 31, 2007)

	Program Services		Supporting Services		Direct Costs of Special Events	2008	2007
	Legal	Outreach	Management and General	Fund Raising			
Salaries	\$ 175,270	\$ 213,166	\$ 37,896	\$ 47,370		\$ 473,702	\$ 313,873
Payroll taxes, benefits and expenses	37,395	45,480	8,085	10,107		101,067	66,602
Staff training and development	1,003	2,159	151	695		4,008	568
Professional services	6,744	52,206	1,399	10,061		70,410	64,110
Donated legal services (Note 2)	11,444,484					11,444,484	5,353,144
Rent (Note 6)	20,721	25,493	4,674	5,885		56,773	42,736
Event space utilization fee					\$ 6,540	6,540	5,000
Electricity and utilities	3,289	4,061	690	937		8,977	8,978
Printing	767	14,887	155	3,056		18,865	21,831
Telephone, fax and internet	3,075	3,765	407	553		7,800	6,372
Insurance	3,007	2,182	371	504		6,064	7,134
Postage and shipping	2,104	4,607	81	1,550		8,342	6,594
Strategic planning	110	136	23	31		300	12,404
Food and refreshments	239	6,993	27	689	24,465	32,413	13,579
Office supplies	3,099	6,311	542	833		10,785	5,275
Computer and management information systems	3,131	6,841	653	1,009		11,634	10,138
Permits/legal fees	2,102	121	8	10		2,241	3,408
Travel	1,381	9,989	54	280		11,704	7,471
Conference	4,538	2,431		30		6,999	9,475
Subscriptions/dues	2,500	254	2	48		2,804	2,346
Miscellaneous	16	1,192	50	819		2,077	659
Advertising and publicity	381	470	80	109		1,040	1,923
Bank and finance charges	1,906	2,354	400	543		5,203	3,600
Depreciation and amortization	6,839	8,442	1,434	1,949		18,664	15,849
Total expenses	11,724,101	413,540	57,182	87,068	31,005	12,312,896	5,983,069
Less expenses deducted directly from revenues on the statement of activities							
Direct costs of special events					(31,005)	(31,005)	(18,251)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 11,724,101	\$ 413,540	\$ 57,182	\$ 87,068	\$ -	\$ 12,281,891	\$ 5,964,818

See independent auditor's report.

The accompanying notes are an integral part of these statements.

IMMIGRATION EQUALITY

STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 193,637	\$ 313,301
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	18,664	15,849
Donated stock		(731)
Unrealized loss on investments	280	
Decrease (increase) in assets		
Accounts receivable	(3,837)	(399)
Contributions receivable	12,258	(173,063)
Other assets	(386)	(96)
Increase (decrease) in liabilities		
Accounts payable, accrued expenses, deferred revenue, and accrued vacation	2,636	8,767
Sublease security deposit		1,100
Deferred rent charges	(1,010)	(1,387)
Net cash provided by operating activities	<u>222,242</u>	<u>163,341</u>
Cash flows used by investing activities		
Purchase of investments	(270,000)	
Capital expenditures	(12,325)	(600)
Net cash used by investing activities	<u>(282,325)</u>	<u>(600)</u>
Net increase (decrease) in cash	(60,083)	162,741
Cash and cash equivalents - beginning of year	<u>323,081</u>	<u>160,340</u>
Cash and cash equivalents - end of year	<u>\$ 262,998</u>	<u>323,081</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

IMMIGRATION EQUALITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 1 - NATURE OF ORGANIZATION

Immigration Equality is a national organization that addresses the impact of discriminatory immigration laws on the lives of gay, lesbian, bisexual, and transgender immigrants and their families and also immigrants living with HIV/AIDS. Immigration Equality, which was known as the Lesbian and Gay Immigration Rights Task Force until December 2003, was incorporated in 1994 and is a 501(c)(3) not-for-profit organization. Immigration Equality offers free legal services through its staff attorneys and via a network of over thirty law firms which provide pro bono representation for LGBT and HIV+ asylum seekers. The organization also publishes guides for attorneys and activists, maintains a website, and responds to thousands of individual requests for information and assistance each year. In 2008, Immigration Equality opened a Washington, DC office to expand its advocacy for changes in U.S. immigration law.

Immigration Equality is headquartered in New York City, with a Washington, DC office. Immigration Equality's primary sources of revenues are contributions, foundation grants and special events.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis.

Net assets - Unrestricted net assets represent funds which are fully available, at the discretion of management and the Board of Directors, for the organization to utilize in any of its program or supporting services. Temporarily restricted net assets are those whose use by the organization has been limited by donors to a specific time period or purpose.

Use of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash equivalents consist of money market accounts.

Accounts receivable - Accounts receivable are recorded for expense reimbursements from employees. Interest is not accrued or recorded on outstanding accounts receivable.

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IMMIGRATION EQUALITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and foundation grants - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported 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 purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Allowance for doubtful accounts - Management has determined that no allowance for uncollectible accounts for accounts receivable or contributions receivable is necessary as of December 31, 2008. Such estimate is based on management's assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

Deferred rent charges - Immigration Equality leases real property under operating leases expiring in 2011. Since the rentals increase over time, the policy is to record an adjustment to rent expense each year to reflect their straight-lining policy. Straight-line of rent gives rise to a timing difference between actual amounts paid and annualized rent expense.

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments - Investments in marketable securities are recorded at fair value. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is 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 statement of activities.

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IMMIGRATION EQUALITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements

Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements* (FASB Statement No. 157), establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB Statement No. 157 are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Immigration Equality has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The 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, 2008.

Index funds - Valued at the closing price reported on the active market on which the individual securities are traded.

Certificates of deposit - Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Immigration Equality 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.

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IMMIGRATION EQUALITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2008:

	Level 1	Level 2	Level 3	Total
Index funds	\$ 451	\$ -	\$ -	\$ 451
Certificates of deposit	<u>270,000</u>	<u>-</u>	<u>-</u>	<u>270,000</u>
	<u>\$ 270,451</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,451</u>

Fair Value Measurements on a Nonrecurring Basis

As permitted by FSP 157-2, the fair value measurement disclosure was deferred for any (a) long-lived assets and finite-lived intangible assets in the determination of impairment under SFAS No. 142 or SFAS No. 144, (b) asset retirement obligations initially measured at fair value under SFAS No. 143, *Accounting for Asset Retirement Obligations*, and (c) nonfinancial liabilities for exit or disposal activities initially measured at fair value under SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*.

SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of SFAS No. 115* (SFAS No. 159) permits but does not require measurement of financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. As Immigration Equality did not elect to fair value any of the financial instruments under the provisions of SFAS No. 159, the adoption of this statement effective January 1, 2008 did not have an impact on the financial statements.

Functional allocation of expenses - The costs of providing the organization's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fixed assets - Fixed assets in excess of \$1,000 are recorded at cost. Depreciation and amortization are recorded on the straight-line method over the estimated useful lives of the assets.

Donated services - Immigration Equality receives certain contributed goods and services that meet criteria under accounting principles generally accepted in the United States of America for recognition as contributions. Such services (primarily pro bono legal representation) are recorded in the financial statements at fair market value (\$11,444,484).

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IMMIGRATION EQUALITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising - All advertising and publicity costs are expensed in the year they are incurred.

Reclassifications - Certain prior year numbers have been restated to conform with the presentation in the current year.

FASB Interpretation No. 48 - Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48)

In July 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109 (FIN 48)*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 was effective for fiscal years beginning after December 15, 2006. On November 7, 2007, the FASB voted to defer FIN 48 for one year until fiscal years beginning after December 15, 2007. On October 15, 2008, the FASB voted to continue the deferral of FIN 48 for non-public companies and not-for-profits for an additional year until fiscal years beginning after December 15, 2008.

As FIN 48 has not yet been adopted, Immigration Equality is continuing to use FASB Statement No. 5, *Accounting for Contingencies (FAS 5)* to evaluate uncertain tax positions. Immigration Equality is currently evaluating the impact on the financial statements of adopting FIN 48.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2007, from which the summarized information was derived. Certain reclassifications have been made to the 2007 amounts to conform with the 2008 presentation.

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IMMIGRATION EQUALITY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 3 - FIXED ASSETS

	2008			Estimated Useful Lives
	Cost	Accumulated Depreciation and Amortization	Net	
Equipment	\$ 40,841	\$ 26,594	\$ 14,247	3 - 5 years
Leasehold improvements	<u>45,942</u>	<u>20,916</u>	<u>25,026</u>	5 years
	<u>\$ 86,783</u>	<u>\$ 47,510</u>	<u>\$ 39,273</u>	
	2007			Estimated Useful Lives
	Cost	Accumulated Depreciation and Amortization	Net	
Equipment	\$ 28,516	\$ 17,140	\$ 11,376	5 years
Leasehold improvements	<u>45,942</u>	<u>11,706</u>	<u>34,236</u>	5 years
	<u>\$ 74,458</u>	<u>\$ 28,846</u>	<u>\$ 45,612</u>	

Depreciation and amortization for 2008 and 2007 was \$18,664 and \$15,849, respectively.

NOTE 4 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose:

	2008	2007
For the period after December 31	<u>\$ 175,000</u>	<u>\$ 220,000</u>

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IMMIGRATION EQUALITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 5 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or other events specified by donors.

Time restrictions expired \$ 145,000

NOTE 6 - COMMITMENTS AND CONTINGENCIES

- Immigration Equality leases an office located in New York. The policy is to amortize lease payments on the straight-line basis over the term of the lease. The lease term began on September 1, 2006 and ends on August 31, 2011. The minimum annual commitments are as follows:

2009	\$	59,091
2010		60,864
2011		<u>41,379</u>
	\$	<u>161,334</u>

Rent expense for the current year was \$56,773.

- In addition, Immigration Equality subleased a piece of its office in 2007. The lease term began on May 15, 2007 and ended on May 15, 2008. On May 14, 2008, the period of the lease was extended until May 14, 2009 and then extended further to a new tenant to September 30, 2009. Minimum future rentals on non-cancelable operating leases are as follows:

2009	\$	<u>9,965</u>
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- Financial instruments which potentially subject Immigration Equality to a concentration of credit risk are cash accounts with major financial institutions in excess of FDIC insurance limits. Management believes that credit risk related to these accounts is minimal.

NOTE 7 - 403(b) RETIREMENT PLAN

The organization has a 403(b) pension plan for employees. It is an employee contributory plan only and is not subject to any ERISA provisions.

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IMMIGRATION EQUALITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

NOTE 8 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2008 and 2007 contributions receivable total \$255,805 and \$268,063, respectively. None of these receivables are due beyond 2009.

NOTE 9 - INVESTMENTS

	<u>2008</u> Fair Value	<u>2007</u> Fair Value
Certificates of deposit	\$ 270,000	
Index fund	<u>451</u>	\$ <u>731</u>
	<u>\$ 270,451</u>	<u>\$ 731</u>