

**IMMIGRATION EQUALITY AND
IMMIGRATION EQUALITY ACTION FUND**

**CONSOLIDATED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2010

**IMMIGRATION EQUALITY
AND IMMIGRATION EQUALITY ACTION FUND**

TABLE OF CONTENTS

Independent Auditor's Report

Exhibit

- A - Consolidated Balance Sheet**
- B - Consolidated Statement of Activities**
- C - Consolidated Statement of Functional Expenses**
- D - Consolidated Statement of Cash Flows**

Notes to Consolidated Financial Statements

Schedules

- 1 - Schedule of Functional Expenses - Immigration Equality**
- 2 - Schedule of Functional Expenses - Immigration Equality Action Fund**



LOEB & TROPER LLP

Independent Auditor's Report

Board of Directors Immigration Equality and Immigration Equality Action Fund

We have audited the accompanying consolidated balance sheet of Immigration Equality and Immigration Equality Action Fund as of December 31, 2010, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Immigration Equality and Immigration Equality Action Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Immigration Equality and Immigration Equality Action Fund's December 31, 2009 financial statements and, in our report dated July 19, 2010, 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 and Immigration Equality Action Fund'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 and Immigration Equality Action Fund as of December 31, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Loeb & Troper LLP

November 7, 2011

IMMIGRATION EQUALITY
AND IMMIGRATION EQUALITY ACTION FUND

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)

	2010						Total	
	Immigration Equality			Immigration Equality Action Fund	Eliminations	2010	2009	
	Unrestricted	Temporarily Restricted	Total					
Revenues and other support								
Contributions	\$ 686,234		\$ 686,234	\$ 191,183		\$ 877,417	\$ 535,982	
Special events	\$ 61,061			\$ 51,135				
Less direct cost of special events	(21,621)		39,440	(21,621)	29,514	68,954	151,400	
Foundation grants	50,000	\$ 510,000	560,000			560,000	715,000	
Donated legal services (Note 2)	13,101,550		13,101,550			13,101,550	14,201,747	
Other donated services (Note 2)	300		300			300	2,906	
Interest income	3,134		3,134			3,134	5,721	
Realized and unrealized loss on investments							(49)	
Other revenues	4,234		4,234	510		4,744	100	
Sublease rental revenue							8,333	
Grants from affiliated organization				190,000	\$ (190,000)			
Net assets released from restrictions								
Expiration of time restrictions (Note 6)	446,667	(446,667)						
Total revenues and other support	14,331,559	63,333	14,394,892	411,207	(190,000)	14,616,099	15,621,140	
Expenses (Exhibit C)								
Program								
Legal	13,733,953		13,733,953		(190,000)	13,543,953	14,491,687	
Outreach	372,828		372,828			372,828	495,346	
Advocacy	40,883		40,883	196,754		237,637		
Management and general	171,072		171,072	23,865		194,937	79,247	
Fund raising	109,807		109,807	67,327		177,134	100,038	
Total expenses	14,428,543		14,428,543	287,946	(190,000)	14,526,489	15,166,318	
Change in net assets (Exhibit D)	(96,984)	63,333	(33,651)	123,261	-	89,610	454,822	
Net assets - beginning of year	894,506	208,333	1,102,839	170,763		1,273,602	818,780	
Net assets - end of year (Exhibit A)	\$ 797,522	\$ 271,666	\$ 1,069,188	\$ 294,024	\$ -	\$ 1,363,212	\$ 1,273,602	

See independent auditor's report.

The accompanying notes are an integral part of these statements.

IMMIGRATION EQUALITY
AND IMMIGRATION EQUALITY ACTION FUND

EXHIBIT C

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

(With Summarized Financial Information for the Year Ended December 31, 2009)

	Program Services				Supporting Services		Direct Cost of Special Events	Total	
	Legal	Outreach	Advocacy	Total	Management and General	Fund Raising		Consolidated 2010	2009
Salaries	\$ 264,086	\$ 236,653	\$ 121,647	\$ 622,386	\$ 76,884	\$ 92,886		\$ 792,156	\$ 525,906
Payroll taxes, benefits and expenses	49,907	44,798	23,024	117,729	14,581	17,604		149,914	126,524
Staff training and development	16,171	10,299	4,964	31,434	4,615	4,910		40,959	8,314
Professional services	2,845	6,503	42,000	51,348	67,260	1,097		119,705	60,456
Donated legal services (Note 2)	13,101,550			13,101,550		300		13,101,850	14,201,747
Rent (Note 7)	34,821	14,707	10,706	60,234	11,398	10,523		82,155	70,188
Event space utilization fee									6,303
Electricity and utilities	3,906	1,773	1,232	6,911	980	1,088		8,979	8,977
Printing									25,541
Telephone, fax and internet	6,949	3,011	2,156	12,116	1,814	2,043		15,973	12,551
Insurance	1,998	847	615	3,460	888	602		4,950	7,600
Postage and shipping	4,167	1,882	1,312	7,361	1,050	1,168		9,579	8,143
Food and refreshments	900	13,195	4,528	18,623	204	8,939	\$ 43,242	71,008	27,987
Office supplies	10,152	4,238	3,109	17,499	2,732	3,105		23,336	13,926
Computer and management information systems	22,796	6,683	7,148	36,627	5,513	6,473		48,613	14,402
Permits/legal fees									3,511
Travel	2,934	6,875	3,959	13,768	2,737	996		17,501	19,040
Conference	3,786	4,881	1,587	10,254		1,094		11,348	8,130
Subscriptions/dues	3,756	1,989	1,255	7,000	800	833		8,633	4,538
Advertising and publicity	1,643	10,132	7,030	18,805	260	10,259		29,324	8,052
Bank and finance charges					43	11,182		11,225	9,576
Depreciation and amortization	7,692	3,300	587	11,579	2,488	1,240		15,307	18,252
Donated gifts/services									2,906
Grants to affiliate (Action Fund)	190,000			190,000				190,000	75,000
Miscellaneous	3,894	1,062	778	5,734	690	792		7,216	2,778
Total	13,733,953	372,828	237,637	14,344,418	194,937	177,134	43,242	14,759,731	15,270,348
Less expenses deducted directly from revenues on the statement of activities									
Direct costs of special events							(43,242)	(43,242)	(29,030)
Less elimination - grants to affiliate (Action Fund)	(190,000)			(190,000)				(190,000)	(75,000)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 13,543,953	\$ 372,828	\$ 237,637	\$ 14,154,418	\$ 194,937	\$ 177,134	\$ -	\$ 14,526,489	\$ 15,166,318

See independent auditor's report.

The accompanying notes are an integral part of these statements.

IMMIGRATION EQUALITY
AND IMMIGRATION EQUALITY ACTION FUND
CONSOLIDATED STATEMENT OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

EXHIBIT D

	2010		Eliminations	Total	
	Immigration Equality	Immigration Equality Action Fund		2010	2009
Cash flows from operating activities					
Change in net assets (Exhibit B)					
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities					
Depreciation and amortization	15,307			15,307	18,252
Realized and unrealized gain on investments					49
Decrease (increase) in assets					
Accounts receivable	(70,034)		\$ 21,318	(48,716)	1,813
Contributions receivable	(5,075)	7,229		2,154	(52,265)
Security deposits		(4,000)		(4,000)	(999)
Prepaid expenses	(16,808)	(12,274)		(29,082)	
Other assets	(2,372)			(2,372)	(1,905)
Increase (decrease) in liabilities					
Accounts payable, accrued expenses and accrued vacation	(1,718)	26,105	(21,318)	3,069	14,713
Sublease security deposit					(1,100)
Deferred rent charges					(2,146)
Net cash provided (used) by operating activities	(114,351)	140,321	-	25,970	431,234
Cash flows from investing activities					
Redemption of certificates of deposit					270,000
Proceeds from sale of investments					402
Capital expenditures					(2,194)
Net cash provided by investing activities					268,208
Net increase (decrease) in cash and cash equivalents	(114,351)	140,321		25,970	699,442
Cash and cash equivalents - beginning of year	787,523	174,917		962,440	262,998
Cash and cash equivalents - end of year	\$ 673,172	\$ 315,238	\$ -	\$ 988,410	\$ 962,440

See independent auditor's report.

The accompanying notes are an integral part of these statements.

IMMIGRATION EQUALITY
AND IMMIGRATION EQUALITY ACTION FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

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.

Immigration Equality is headquartered in New York City with a policy office in Washington, D.C. Its primary sources of revenues are contributions, foundation grants and special events.

Immigration Equality Action Fund ("Action Fund") is a 501(c)(4) not-for-profit organization incorporated in 2009. The Action Fund works to win support for comprehensive immigration reform and the Uniting American Families Act, and to ensure that gay and lesbian families are included in any and all immigration bill proposals. The Action Fund lobbies members of Congress, meets with key committee members in the House and Senate, collaborates with spokespersons from across the country, builds relationships with coalition partners, and works with supporters to generate letters and phone calls to Congress demanding comprehensive immigration reform. In addition, the Action Fund advocates for changes to immigration law that will benefit lesbian, gay, bisexual, transgender and HIV-positive people in areas including, but not limited to, detention standards, inadmissibility regulations, and humane treatment. The work of the Action Fund is performed mainly in Washington, D.C. and New York by Action Fund staff. Its primary source of revenue is contributions.

Immigration Equality and Immigration Equality Action Fund are related through common board of Directors and common goals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation - All material intercompany transactions have been eliminated in the consolidation.

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IMMIGRATION EQUALITY
AND IMMIGRATION EQUALITY ACTION FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and cash equivalents consist of cash and highly liquid investments with maturity dates when acquired of three months or less.

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-adjusted 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.

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, 2010. 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.

Fixed assets - Fixed assets, including leasehold improvements, in excess of \$1,000 and with an estimated useful life greater than one year are capitalized and recorded at cost. Depreciation is recorded on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful lives.

Net assets - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors. Temporarily restricted net assets are those whose use by the organization has been limited by donors to a specific time period or purpose.

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IMMIGRATION EQUALITY
AND IMMIGRATION EQUALITY ACTION FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

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.

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.

Donated services - Immigration Equality and Immigration Equality Action Fund received 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 value (\$13,101,850 for donated legal and \$300 for other services).

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

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, 2009, from which the summarized information was derived.

Uncertainty in income taxes - Immigration Equality and Immigration Equality Action Fund have determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2007 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through November 7, 2011, which is the date the financial statements were available to be issued.

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**IMMIGRATION EQUALITY
AND IMMIGRATION EQUALITY ACTION FUND**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 3 - CONTRIBUTIONS RECEIVABLE

As of December 31, 2010 and 2009, contributions receivable total \$305,916 and \$308,070, respectively. None of these receivables are due beyond 2011.

NOTE 4 - FIXED ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net</u>	<u>Estimated Useful Lives</u>
Equipment	\$ 43,035	\$ 43,035	\$ -	3 or 5 years
Leasehold improvements	<u>45,942</u>	<u>38,034</u>	<u>7,908</u>	5 years
	<u>\$ 88,977</u>	<u>\$ 81,069</u>	<u>\$ 7,908</u>	

Depreciation and amortization for 2010 totaled \$15,307.

NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose:

For the period after December 31, 2010	<u>\$ 271,666</u>
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NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the time restrictions specified by donors.

Time restrictions expired	<u>\$ 446,667</u>
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**IMMIGRATION EQUALITY
AND IMMIGRATION EQUALITY ACTION FUND**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2010

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Immigration Equality leases office space located in New York and Washington, D.C. The lease term for the New York office space began September 1, 2006 and ends August 31, 2011. The lease term for the Washington, D.C. office space began April 15, 2011 and ends April 30, 2018. The minimum annual commitments are as follows:

	<u>N.Y.</u>	<u>D.C.</u>
2011	\$ 41,379	\$ 53,289
2012		81,533
2013		83,979
2014		86,498
2015		89,093
Thereafter	<u> </u>	<u>218,100</u>
	<u>\$ 41,379</u>	<u>\$ 612,492</u>

Rent expense for the current year was \$82,154.

Financial instruments which potentially subject Immigration Equality and Immigration Equality Action Fund 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 8 - 403(b) RETIREMENT PLAN

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

IMMIGRATION EQUALITY

SCHEDULE 1

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010
(With Summarized Financial Information
for the Year Ended December 31, 2009)

	Program Services				Supporting Services		Direct Costs of Special Events	Total	
	Legal	Outreach	Advocacy	Total	Management and General	Fund Raising		2010	2009
Salaries	\$ 264,086	\$ 236,653	\$ 26,611	\$ 527,350	\$ 67,250	\$ 61,220		\$ 655,820	\$ 525,906
Payroll taxes, benefits and expenses	49,907	44,798	5,028	99,733	12,753	11,612		124,098	126,524
Staff training and development	16,171	10,299	1,249	27,719	4,214	3,392		35,325	8,079
Professional services	2,845	6,503	98	9,446	57,523	898		67,867	59,402
Donated legal services (Note 2)	13,101,550			13,101,550		300		13,101,850	14,143,610
Rent (Note 7)	34,821	14,707	2,690	52,218	10,543	7,263		70,024	70,188
Event space utilization fee									6,303
Electricity and utilities	3,906	1,773	302	5,981	899	738		7,618	8,977
Printing									18,145
Telephone, fax and internet	6,949	3,011	537	10,497	1,653	1,402		13,552	12,551
Insurance	1,998	847	154	2,999	839	415		4,253	7,600
Postage and shipping	4,167	1,882	322	6,371	963	793		8,127	8,143
Food and refreshments	900	13,195	58	14,153	185	3,721	\$ 21,621	39,680	27,969
Office supplies	10,152	4,238	784	15,174	2,476	2,148		19,798	13,862
Computer and management information systems	22,796	6,683	1,761	31,240	5,022	4,408		40,670	13,942
Permits/legal fees									1,453
Travel	2,934	6,875	117	9,926	2,587	440		12,953	18,942
Conference	3,786	4,881		8,667		1,094		9,761	8,130
Subscriptions/dues	3,756	1,989	290	6,035	758	532		7,325	4,538
Advertising and publicity	1,643	10,132	97	11,872	250	2,484		14,606	8,052
Bank and finance charges					43	5,158		5,201	9,448
Depreciation and amortization	7,692	3,300	587	11,579	2,488	1,240		15,307	18,252
Donated gifts/services									2,906
Grants to affiliates	190,000			190,000				190,000	75,000
Miscellaneous	3,894	1,062	198	5,154	626	549		6,329	2,778
Total expenses	13,733,953	372,828	40,883	14,147,664	171,072	109,807	21,621	14,450,164	15,200,700
Less expenses deducted directly from revenues on the statement of activities									
Direct costs of special events							(21,621)	(21,621)	(29,030)
Less elimination grants to affiliate (Action Fund)	(190,000)			(190,000)				(190,000)	(75,000)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 13,543,953	\$ 372,828	\$ 40,883	\$ 13,957,664	\$ 171,072	\$ 109,807	\$ -	\$ 14,238,543	\$ 15,096,670

See independent auditor's report.

IMMIGRATION EQUALITY ACTION FUND
 SCHEDULE OF FUNCTIONAL EXPENSES
 YEAR ENDED DECEMBER 31, 2010

	Program Services	Supporting Services		Direct Costs of Special Events	Total	
		Management and General	Fund Raising		2010	2009
Salaries	\$ 95,036	\$ 9,634	\$ 31,666	\$ -	\$ 136,336	
Payroll taxes, benefits and expenses	17,996	1,828	5,992		25,816	
Staff training and development	3,715	401	1,518		5,634	\$ 235
Professional services	41,902	9,737	199		51,838	1,054
Donated legal services (Note 2)						58,137
Rent (Note 7)	8,016	855	3,260		12,131	
Electricity and utilities	930	81	350		1,361	
Printing						7,396
Telephone, fax and internet	1,619	161	641		2,421	
Insurance	461	49	187		697	
Postage and shipping	990	87	375		1,452	
Food and refreshments	4,470	19	5,218	\$ 21,621	31,328	18
Office supplies	2,325	256	957		3,538	64
Computer and management information systems	5,387	491	2,065		7,943	460
Permits/legal fees						2,058
Travel	3,842	150	556		4,548	98
Conference	1,587				1,587	
Subscriptions/dues	965	42	301		1,308	
Advertising and publicity	6,933	10	7,775		14,718	
Bank and finance charges			6,024		6,024	128
Miscellaneous	580	64	243		887	
Total expenses	196,754	23,865	67,327	21,621	309,567	69,648
Less direct costs of special events				(21,621)	(21,621)	
Total expenses reported by function on the statement of activities	\$ 196,754	\$ 23,865	\$ 67,327	\$ -	\$ 287,946	\$ 69,648

See independent auditor's report.