



FEDERATION FOR AMERICAN
IMMIGRATION REFORM

**FEDERATION FOR AMERICAN
IMMIGRATION REFORM AND AFFILIATES**

**Consolidated Financial Statements and
Supplemental Information**

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

**and
Report Thereon**

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Federation for American Immigration Reform
and Affiliates

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Federation for American Immigration Reform (FAIR) and Affiliates (collectively referred to as FAIR and Affiliates), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditor's 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 the Federation for American Immigration Reform and Affiliates as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued

Other Matters

Report on Summarized Comparative Information

We have previously audited FAIR and Affiliates' 2014 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated June 1, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 20 and 21 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Raffa P.C.

Raffa, P.C.

Washington, DC
May 19, 2016

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2015

(With Summarized Financial Information as of December 31, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 5,851,724	\$ 4,159,359
Grants receivable	4,338	-
Prepaid expenses	<u>478,346</u>	<u>11,557</u>
Total Current Assets	6,334,408	4,170,916
Investments	9,087,322	10,064,430
Property and equipment, net	372,750	498,111
Artwork collections	15,000	15,000
Other assets	57,925	59,639
Security deposits	<u>38,611</u>	<u>38,611</u>
TOTAL ASSETS	<u><u>\$ 15,906,016</u></u>	<u><u>\$ 14,846,707</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 182,760	\$ 251,978
Deferred rent and lease incentive liabilities	<u>157,483</u>	<u>140,115</u>
Total Current Liabilities	340,243	392,093
Deferred rent and lease incentive liabilities, noncurrent	<u>175,293</u>	<u>332,776</u>
TOTAL LIABILITIES	<u>515,536</u>	<u>724,869</u>
Net Assets		
Unrestricted		
Undesignated	1,487,236	1,614,039
Board-designated		
Reserve	2,946,783	2,729,427
Quasi-endowment fund	<u>4,590,306</u>	<u>4,876,470</u>
Total Unrestricted Net Assets	9,024,325	9,219,936
Temporarily restricted	3,834,831	2,370,578
Permanently restricted	<u>2,531,324</u>	<u>2,531,324</u>
TOTAL NET ASSETS	<u>15,390,480</u>	<u>14,121,838</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 15,906,016</u></u>	<u><u>\$ 14,846,707</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

(With Summarized Financial Information for the Year Ended December 31, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
OPERATING REVENUE AND SUPPORT					
Grants	\$ 5,276,480	\$ 2,281,600	\$ -	\$ 7,558,080	\$ 6,618,563
Investment income	750,625	309,148	-	1,059,773	1,025,808
Contributions and bequests	648,389	-	-	648,389	710,722
Online marketing	78,287	-	-	78,287	89,970
Royalty income	40,994	-	-	40,994	61,201
Other income	685	-	-	685	45,184
Net assets released from restrictions:					
Satisfaction of program restrictions	801,953	(801,953)	-	-	-
TOTAL OPERATING REVENUE AND SUPPORT	7,597,413	1,788,795	-	9,386,208	8,551,448
EXPENSES					
Program Services:					
Media	1,381,786	-	-	1,381,786	1,298,839
Government relations	982,797	-	-	982,797	887,373
Public education	697,204	-	-	697,204	904,016
Immigration Reform Law Institute (IRLI)	691,579	-	-	691,579	592,668
Field	582,491	-	-	582,491	621,588
Membership education and service	475,603	-	-	475,603	517,577
Research and publications	440,191	-	-	440,191	469,581
Lobbying	212,533	-	-	212,533	160,469
Public interest legal	46,878	-	-	46,878	41,447
FAIR Congressional Task Force (FCTF)	5,390	-	-	5,390	47,505
Total Program Services	5,516,452	-	-	5,516,452	5,541,063
Supporting Services:					
Management and general	973,820	-	-	973,820	987,479
Fundraising	485,719	-	-	485,719	527,788
Total Supporting Services	1,459,539	-	-	1,459,539	1,515,267
TOTAL EXPENSES	6,975,991	-	-	6,975,991	7,056,330
Change in net assets before unrealized losses on investments	621,422	1,788,795	-	2,410,217	1,495,118
NONOPERATING LOSS					
Unrealized losses on investments	(817,033)	(324,542)	-	(1,141,575)	(156,915)
CHANGE IN NET ASSETS	(195,611)	1,464,253	-	1,268,642	1,338,203
NET ASSETS, BEGINNING OF YEAR	9,219,936	2,370,578	2,531,324	14,121,838	12,783,635
NET ASSETS, END OF YEAR	\$ 9,024,325	\$ 3,834,831	\$ 2,531,324	\$ 15,390,480	\$ 14,121,838

The accompanying notes are an integral part of these consolidated financial statements.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)

	Program Services										Supporting Services			2014 Total Expenses	
	Media	Government Relations	Public Education	IRLI	Field	Membership Education and Service	Research and Publications	Lobbying	Public Interest Legal	FCTF	Total Program Services	Management and General	Fundraising		2015 Total Expenses
Salaries	\$ 331,435	\$ 516,033	\$ 252,724	\$ 387,021	\$ 298,621	\$ 120,142	\$ 245,805	\$ 61,872	\$ 24,995	\$ -	\$ 2,238,648	\$ 453,821	\$ 224,953	\$ 2,917,422	\$ 3,045,753
Employee benefits and payroll taxes	86,860	134,438	64,900	84,187	78,930	30,186	64,934	16,305	6,519	-	567,260	118,151	58,821	744,232	743,952
Media advertising	652,351	-	25,012	2,592	-	240	-	-	-	-	-	-	-	-	676,468
Rent	54,780	104,698	51,909	62,431	63,512	28,182	44,910	2,594	2,493	-	680,195	91,786	53,439	680,195	676,468
Printing and handling	5,797	745	106,935	4,153	20,724	43,196	20,724	63,577	2	-	415,509	515	53,439	560,734	559,452
Taxes and insurance	20,765	39,844	20,055	17,040	24,086	10,317	16,746	896	985	-	246,301	55,483	20,286	285,547	264,795
Postage and delivery	1,741	2,435	76,171	388	69	45,119	959	53,394	69	-	160,734	2,437	25,381	226,023	222,023
Meetings	141,211	5,393	592	-	769	379	618	-	3	-	182,381	38,193	210,199	211,504	211,504
Telephone and utilities	17,704	33,953	17,236	16,268	25,797	8,715	14,333	815	847	-	149,010	30,039	659	187,862	177,101
Travel and entertainment	25,556	40,843	1,707	9,795	41,029	22,135	578	-	57	-	138,511	33,518	17,447	185,967	190,220
Consulting fees and part-time help	5,766	7,893	3,817	59,194	4,503	42,117	3,858	980	383	-	141,700	6,451	2,437	178,155	159,520
Depreciation and amortization	14,776	28,154	14,516	1,305	17,130	7,679	11,978	566	675	-	96,779	25,233	14,544	138,409	98,937
Computer services	9,238	16,596	21,809	791	9,921	14,400	6,535	1,506	405	-	136,556	14,544	10,060	137,888	137,888
Database management	-	-	-	-	-	73,561	-	-	-	-	73,561	14,669	10,060	105,927	117,795
Publications and subscriptions	2,716	27,005	841	18,139	1,346	89	128	3	8,749	-	59,916	1,598	269	71,952	71,952
Bank expenses	2,160	4,343	2,234	-	2,579	1,041	1,660	88	105	-	14,210	3,797	678	61,783	64,236
Accounting fees	4,456	9,745	5,099	9,460	5,583	1,934	3,081	175	240	-	42,320	9,093	2,144	20,151	20,151
Office expenses	2,891	6,108	3,200	2,279	3,491	1,954	2,170	95	267	-	22,455	29,432	2,905	55,926	59,485
Legal fees	-	-	-	4,273	-	-	-	-	-	-	4,273	46,968	-	54,792	28,492
Direct mail list rental	-	-	26,719	-	-	-	-	-	-	-	4,273	51,241	-	51,241	51,241
Equipment rental and maintenance	1,079	1,926	991	1,857	1,210	595	922	9,571	-	-	36,290	3,589	3,589	39,879	61,293
Membership dues	-	280	-	7,885	-	560	-	46	35	-	8,661	5,676	1,045	15,362	14,158
Honoraria	-	-	-	-	-	12,000	-	-	-	-	8,725	4,944	-	13,110	13,110
Catering	-	-	-	-	-	10,684	-	-	-	-	12,000	-	-	1,614	1,614
Employee education and training	504	1,464	737	2,521	707	378	252	5	49	-	10,684	-	-	10,684	13,835
Grants to other organizations	-	-	-	-	-	-	-	-	-	-	6,617	2,019	549	9,185	7,025
TOTAL EXPENSES	\$ 1,381,786	\$ 982,797	\$ 697,204	\$ 691,579	\$ 582,491	\$ 475,603	\$ 440,191	\$ 212,533	\$ 46,878	\$ 5,390	\$ 5,516,452	\$ 973,820	\$ 485,719	\$ 6,975,991	\$ 7,056,330

The accompanying notes are an integral part of these consolidated financial statements.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(With Summarized Financial Information for the Year Ended December 31, 2014)
Increase (Decrease) in Cash and Cash Equivalents

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,268,642	\$ 1,338,203
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized gains on sales of investments	(815,990)	(782,472)
Unrealized losses on investments	1,141,575	156,915
Depreciation and amortization	136,556	137,686
Changes in assets and liabilities:		
Grants receivable	(4,338)	88,163
Prepaid expenses	(466,789)	920
Other assets	1,714	(23,777)
Accounts payable and accrued expenses	(69,218)	(3,215)
Deferred rent and lease incentive liabilities	(140,115)	(123,185)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,052,037</u>	<u>789,238</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	13,528,517	10,277,366
Purchases of investments	(12,876,994)	(9,511,479)
Purchases of furniture and equipment	(11,195)	(25,051)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>640,328</u>	<u>740,836</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,692,365</u>	<u>1,530,074</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,159,359</u>	<u>2,629,285</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 5,851,724</u></u>	<u><u>\$ 4,159,359</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

The Federation for American Immigration Reform (FAIR) is a District of Columbia nonprofit public interest organization working to end illegal immigration and set reasonable levels of legal immigration. FAIR funds its activities primarily through grants and contributions.

The FAIR Congressional Task Force, Inc. (FCTF) is a nonprofit organization incorporated under the laws of the District of Columbia in 1982. FCTF was organized exclusively to serve public, social and economic welfare by developing and promoting immigration policies that are consistent with the economic, social and demographic interests of the United States of America; to restrict illegal immigration into the United States of America; and to limit legal admissions into the United States of America to reasonable levels. FCTF funds its activities primarily through grants and contributions.

The Immigration Reform Law Institute (IRLI) is a District of Columbia nonprofit public charity organized to run FAIR's legal program. IRLI funds its activities primarily through grants and contributions.

Principles of Consolidation

The accompanying consolidated financial statements include the account balances and transactions of FAIR, FCTF and IRLI (collectively referred to as FAIR and Affiliates). FAIR's, FCTF's and IRLI's financial statements have been consolidated due to the presence of common control and economic interest, as required under generally accepted accounting principles (GAAP) in the United States of America. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

FAIR and Affiliates considers all checking accounts, demand deposits and money market accounts to be cash and cash equivalents.

Investments

Investments are recorded in the accompanying consolidated financial statements at fair value and consist of mutual funds, fixed-income securities and common and preferred stocks. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized gains or losses are determined by a comparison of the fair value at the beginning and end of the reporting period.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Fair Value Measurements

Accounting standards define fair value and establish a framework for measuring fair value for those assets and liabilities that are measured at fair value on a recurring basis. In accordance with the fair value measurement standards, FAIR and Affiliates has categorized its applicable financial instruments into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the fair value hierarchy, the categorization is based upon the lowest-level input that is significant to the fair value measurement of the instrument. The applicable financial assets and liabilities are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs based on quoted prices (unadjusted) in active markets for identical assets or liabilities accessible at the measurement date.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets.

Level 3 – Unobservable inputs for the asset or liability, including the reporting entity's own assumptions in determining the fair value measurement.

Property and Equipment and Related Depreciation and Amortization

Property and equipment consist of office furniture and equipment, leasehold improvements and website costs and are recorded at cost. Office furniture and equipment are depreciated over their estimated useful lives of five years using the straight-line method. Website costs are amortized over their estimated useful lives of five years using the straight-line method. Leasehold improvements are amortized over the lesser of the remaining office lease term or the estimated useful lives of the improvements. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. Upon the retirement or disposal of the assets, the cost and accumulated depreciation or amortization are eliminated from the respective accounts, and the resulting gain or loss is included in operating revenue and support or expenses in the accompanying consolidated statement of activities.

Net Assets

FAIR and Affiliates' net assets are reported as follows:

- Unrestricted net assets represent the portion of expendable funds that are available for support of FAIR and Affiliates' operations as follows:

Undesignated net assets – represent resources that are to be used for the general operations of FAIR and Affiliates.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

1. Organization and Summary of Significant Accounting Policies (continued)

Net Assets (continued)

Board-designated reserves – represent unrestricted donor contributions that have been restricted by the Board of Directors as operating reserves and can only be expended by action of the Board of Directors.

Board-designated quasi-endowment – represents an endowment fund established by the Board of Directors for all unrestricted donor bequests contributed to FAIR and Affiliates. Investment income earned by this fund is reinvested within the fund.

- Temporarily restricted net assets represent net assets that have resulted from contributions and other unconditional promises to give for which the use of the funds is limited by donor-imposed stipulations that expire with either the passage of time or fulfillment of the purpose restriction.
- Permanently restricted net assets represent net assets that have resulted from contributions in which the use of the funds is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by FAIR and Affiliates' actions.

Revenue Recognition

FAIR and Affiliates recognizes revenue from grants, contributions and bequests in the year in which the promise to give becomes unconditional. Grants and contributions are recorded as temporarily restricted support if those grants and contributions are received with donor or grantor 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 (i.e., funds are spent or released based on spending policy), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions.

Definition of Operations

Income from investments, including realized gains and losses on investment transactions, is considered to be revenue generated from operations. Unrealized gains or losses recognized from the change in the fair value of investments are not considered to be from operations until such time as those gains or losses are realized through investment sale transactions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in proportion to the amount of time spent on a particular program to the total time spent by all employees.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

2. Investments

Investments, at fair value, consisted of the following at December 31, 2015:

Common stocks	\$ 7,310,532
Fixed-income securities	1,316,786
Mutual funds	287,551
Preferred stocks	<u>172,453</u>
Total Investments	<u>\$ 9,087,322</u>

For the year ended December 31, 2015, investment returns consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ 182,582	\$ 61,201	\$ 243,783
Realized gains	<u>568,043</u>	<u>247,947</u>	<u>815,990</u>
Total Investment Income	750,625	309,148	1,059,773
Unrealized losses	<u>(817,033)</u>	<u>(324,542)</u>	<u>(1,141,575)</u>
Total	<u>\$ (66,408)</u>	<u>\$ (15,394)</u>	<u>\$ (81,802)</u>

Interest and dividends reported above are net of \$39,497 of investment expense incurred during the year ended December 31, 2015.

3. Fair Value Measurements

The following table summarizes FAIR and Affiliates' assets measured at fair value on a recurring basis as of December 31, 2015:

	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments:				
Common stocks:				
Healthcare sector	\$ 1,807,302	\$ 1,807,302	\$ -	\$ -
Information technology	1,451,247	1,451,247	-	-
Financials	697,159	697,159	-	-

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

3. Fair Value Measurements (continued)

<i>(Continued)</i>	<u>Total Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments:				
Common stocks:				
Industry sector	\$ 652,765	\$ 652,765	\$ -	\$ -
Others	584,244	584,244	-	-
Consumer staples	580,768	580,768	-	-
Consumer discretionary	542,722	542,722	-	-
Utilities	391,578	391,578	-	-
Telecommunications	385,704	385,704	-	-
Materials	<u>217,043</u>	<u>217,043</u>	<u>-</u>	<u>-</u>
Total Common Stocks	<u>7,310,532</u>	<u>7,310,532</u>	<u>-</u>	<u>-</u>
Preferred stocks:				
Financials	<u>172,453</u>	<u>-</u>	<u>172,453</u>	<u>-</u>
Fixed-income securities:				
Corporate bonds	<u>1,316,786</u>	<u>-</u>	<u>1,316,786</u>	<u>-</u>
Mutual funds:				
Fixed income:				
Corporate bonds	55,815	55,815	-	-
World bonds	17,300	17,300	-	-
U.S treasury notes	2,802	2,802	-	-
Equities:				
Large growth	100,773	100,773	-	-
Large value	82,267	82,267	-	-
Small cap value	14,488	14,488	-	-
Mid cap value	11,168	11,168	-	-
Global real estate	<u>2,938</u>	<u>2,938</u>	<u>-</u>	<u>-</u>
Total Mutual Funds	<u>287,551</u>	<u>287,551</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 9,087,322</u>	<u>\$ 7,598,083</u>	<u>\$ 1,489,239</u>	<u>\$ -</u>

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

3. Fair Value Measurements (continued)

FAIR and Affiliates used the following methods and significant assumptions to estimate fair value for assets and liabilities recorded at fair value:

Common stocks – Valued at the closing price reported in the active market in which the individual stocks are traded.

Fixed-income securities and preferred stocks – Valued based on current yields, the securities' terms and conditions, and market activity. Information used includes market sources, credit information, observed market movement and sector news.

Mutual funds – Valued at net asset value at the closing price reported in the active market in which the mutual and exchange-traded funds are traded.

4. Property and Equipment and Accumulated Depreciation and Amortization

FAIR and Affiliates held the following property and equipment as of December 31, 2015:

Leasehold improvements	\$ 1,175,653
Office furniture and equipment	803,259
Website costs	<u>96,080</u>
Total Property and Equipment	2,074,992
Less: Accumulated Depreciation and Amortization	<u>(1,702,242)</u>
Property and Equipment, Net	<u>\$ 372,750</u>

For the year ended December 31, 2015, depreciation and amortization expense totaled \$136,556.

5. Commitments and Risks

Office Lease

FAIR leases office space under a noncancelable operating lease for its Washington, D.C., office. The operating lease expires in December 2017, and the lease includes certain incentives and an annual escalation clause. Under GAAP, all lease incentives and fixed rent increases are recognized on a straight-line basis over the term of the lease. The difference between this expense and the required lease payments is reflected as deferred rent and lease

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

5. Commitments and Risks (continued)

Office Lease (continued)

incentive liabilities in the accompanying consolidated statement of financial position. Rent expense totaled \$560,734 for the year ended December 31, 2015, and is included in the accompanying consolidated statement of functional expenses. The total future minimum rental payments required under this lease are as follows:

For the Year Ending December 31,	
2016	\$ 711,111
2017	<u>728,921</u>
Total	<u>\$ 1,440,032</u>

Concentration of Risk

Concentration of Credit Risk

FAIR and Affiliates maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed at times the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2015, FAIR and Affiliates had \$5,763,000 comprised of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$4,751,000. FAIR and Affiliates monitors the creditworthiness of these institutions and has not experienced any historical credit losses on its cash and cash equivalents.

FAIR and Affiliates also invests in various investment securities that are exposed to various risks, including market, interest rate and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of the investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Concentration of Revenue

During the year ended December 31, 2015, FAIR and Affiliates received \$7,116,500 in grants and contributions from five donors. Grants and contributions from the five donors represented approximately 76% of the total operating revenue and support recognized by FAIR and Affiliates for the year ended December 31, 2015. If a significant reduction in funding from these grantors were to occur, it might adversely impact FAIR and Affiliates' financial position and ability to carry out its program activities.

6. Board-Designated Reserve

The Boards of Directors of FAIR and IRLI have adopted resolutions to designate certain net assets as reserve funds. These funds can to be drawn upon to fund FAIR's and IRLI's operations in time of need, as approved by the Boards of Directors. In accordance with these

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

6. Board-Designed Reserve (continued)

resolutions, FAIR and IRLI transfer funds from general operations to the board-designated reserve fund in an amount equal to 5% of all unrestricted contributions that are greater than \$50,000 and \$20,000, respectively. All investment income accumulates in the funds. FAIR's and IRLI's board-designated reserve net asset balances totaled \$2,633,912 and \$312,871, respectively, as of December 31, 2015.

FAIR's Board of Directors has authorized a \$100,000 revolving line of credit against the board-designated reserve funds that is intended to allow FAIR's management to bridge shortfalls in operating revenue without the Board of Directors' approval. Any borrowings from the reserve fund in excess of \$100,000 require approval from FAIR's Board of Directors. There were no borrowings and repayments during the year ended December 31, 2015, and there was no outstanding balance as December 31, 2015.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets that remained as of December 31, 2015, were available for the following programs or purposes:

Public education	\$ 3,029,519
Swensrud Memorial Internship program	115,478
Web and internet programs	64,018
Government relations	2,258
Research and publications	2,258
Media	<u>2,258</u>
Total Program-Restricted	3,215,789
Time-restricted for board appropriation	<u>619,042</u>
Total Temporarily Restricted Net Assets	<u>\$ 3,834,831</u>

8. Endowment Funds

FAIR's Board of Directors has interpreted the District of Columbia's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, FAIR classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

8. Endowment Funds (continued)

appropriated for expenditure by FAIR in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, FAIR considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the funds.
- The purposes of FAIR and the donor-restricted endowment funds.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of FAIR.
- The investment policies of FAIR.

Return Objectives and Risk Parameters

FAIR has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by their endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that FAIR must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Under these policies, as approved by the Board of Directors, the endowment assets are invested in funds to achieve growth in principal value and income over time sufficient to preserve or increase the purchasing power of the funds, thus protecting the funds against inflation. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives

To satisfy FAIR's long-term rate-of-return objectives, FAIR relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). FAIR's current asset allocation for board-designated and endowment funds targets a composition of 15% fixed income, 10% money market funds and 75% stocks.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Excluding the Swensrud Memorial Internship Fund, FAIR's endowment spending policy takes the average combined value of the endowment fund during the previous ten quarters, and calculates 5% annually of the rolling amount for release into current operations. Expenditures from the Swensrud Memorial Internship Fund are released from restrictions as the scholarships are awarded, in accordance with donor stipulations. If an endowment fund has a deficiency, the Board of Directors has the discretion to forgo any appropriation from that fund until the fund deficiency is replenished. In establishing this policy, FAIR considered the long-term expected return on its endowment. This is consistent with FAIR's objective to maintain the purchasing power of the endowment assets for a specified term, as well as to provide additional real growth through investment returns.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

8. Endowment Funds (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy (continued)

In June 2013, FAIR's Board unanimously passed a resolution authorizing management to withdraw up to \$1,500,000 from the Swensrud Endowment Fund for the purpose of funding current operations. As of December 31, 2015, a cumulative total of \$464,750 had been withdrawn. For the year ended December 31, 2015, there were no transfers to fund operations.

Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the level that the donor or UPMIFA requires FAIR to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2015.

The endowment's net asset composition by type of fund was as follows as of December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ -	\$ 734,520	\$ 2,531,324	\$ 3,265,844
Board-designated fund	<u>4,590,306</u>	<u>-</u>	<u>-</u>	<u>4,590,306</u>
Total Funds	<u>\$ 4,590,306</u>	<u>\$ 734,520</u>	<u>\$ 2,531,324</u>	<u>\$ 7,856,150</u>

Changes in endowment net assets are as follows for the year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2015	\$ 4,876,470	\$ 886,089	\$ 2,531,324	\$ 8,293,883
Investment returns:				
Interest and dividends, net of investment expense	117,900	61,201	-	179,101
Net depreciation (realized and unrealized)	<u>(147,555)</u>	<u>(76,595)</u>	<u>-</u>	<u>(224,150)</u>
Total Investment Returns	<u>(29,655)</u>	<u>(15,394)</u>	<u>-</u>	<u>(45,049)</u>
Contributions	5,825	-	-	5,825
Appropriations:				
Spending policy	<u>(262,334)</u>	<u>(136,175)</u>	<u>-</u>	<u>(398,509)</u>
Endowment Net Assets, December 31, 2015	<u>\$ 4,590,306</u>	<u>\$ 734,520</u>	<u>\$ 2,531,324</u>	<u>\$ 7,856,150</u>

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

8. Endowment Funds (continued)

Permanently Restricted Net Assets

Swensrud Endowment Fund	\$ 2,427,571
Swensrud Memorial Internship Fund	<u>103,753</u>
The portion of perpetual endowment funds that is required to be retained permanently, either by explicit donor stipulation or by UPMIFA	<u>\$ 2,531,324</u>

Temporarily Restricted Net Assets

The portion of perpetual endowment funds subject to a purpose restriction under UPMIFA:

With purpose restriction	\$ 115,478
Without purpose restriction	<u>619,042</u>
Total Endowment Funds Classified as Temporarily Restricted	<u>\$ 734,520</u>

9. Savings Plans

FAIR sponsors a contributory tax-deferred savings plan for eligible employees whereby FAIR matches contributions for employees who meet certain length-of-service requirements. Under the terms of the plan, FAIR matches participants' contributions on a one-for-one basis up to a maximum of 2.5% of the gross salaries for employees who have one to three years of eligible service. After an employee reaches three years of eligible service, FAIR's contribution increases to a maximum of 5%, and after five years of service, a maximum of 7.5%. All eligible employees must contribute a minimum of 2.5% of their gross salaries in order to participate in the employer match. FAIR and Affiliates' plan contributions totaled \$146,371 for the year ended December 31, 2015, and are included in employee benefits and payroll taxes in the accompanying consolidated statement of functional expenses.

FAIR has also established a deferred compensation plan for certain key employees. The deferred compensation plan is intended to be a nonqualified deferred compensation plan that is governed by Section 457(b) of the Internal Revenue Code (the IRC). FAIR's deferred compensation plan contributions totaled \$2,611 for the year ended December 31, 2015, and are included in employee benefits and payroll taxes in the accompanying consolidated statement of functional expenses. The deferred compensation plan assets and liabilities totaled \$29,519 as December 31, 2015, and are included in other assets and accounts payable and accrued expenses, respectively, in the accompanying consolidated statement of financial position.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2015

10. Allocation of Joint Costs

During the year ended December 31, 2015, FAIR and Affiliates incurred joint costs of \$379,631 for informational materials and activities, which included fundraising appeals. Of these costs, \$66,155 was allocated to fundraising expenses and \$313,476 was allocated to program service expenses in the accompanying consolidated statement of functional expenses.

11. Income Taxes

FAIR, FCTF and IRLI are exempt from the payment of income taxes under Sections 501(c)(3), 501(c)(4) and 501(c)(3) of the IRC, respectively. As such, these organizations are taxed only on their net unrelated business income. In addition, FAIR has filed an election under IRC Section 501(h) which permits FAIR to engage in a limited amount of legislative lobbying. No provision for income taxes has been made in the accompanying consolidated financial statements for the year ended December 31, 2015, as there was no significant net unrelated business income or excess lobbying expenditures.

FAIR and Affiliates adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in Accounting Standards Codification Topic 740, *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FAIR and Affiliates performed an evaluation of uncertain tax positions for the year ended December 31, 2015, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status. As of December 31, 2015, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which FAIR and Affiliates files tax returns. As of December 31, 2015, FAIR and Affiliates had no accruals for interest and/or penalties.

12. Prior Year Summarized Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with FAIR and Affiliates' consolidated financial statements for the year ended December 31, 2014, from which the summarized information was derived.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

13. Subsequent Events

In preparing these consolidated financial statements, FAIR and Affiliates has evaluated events and transactions for potential recognition or disclosure through May 19, 2016, the date the consolidated financial statements were available to be issued. There were no subsequent events identified through May 19, 2016, required to be disclosed in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2015

	FAIR	FCTF	IRLI	Eliminations	Total
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 5,201,798	\$ 45,066	\$ 604,860	\$ -	\$ 5,851,724
Grants receivable	4,338	-	-	-	4,338
Affiliate receivable	19,249	-	-	(19,249)	-
Prepaid expenses	478,346	-	-	-	478,346
Total Current Assets	5,703,731	45,066	604,860	(19,249)	6,334,408
Investments	8,799,771	-	287,551	-	9,087,322
Property and equipment, net	366,627	-	6,123	-	372,750
Artwork collections	15,000	-	-	-	15,000
Other assets	57,925	-	-	-	57,925
Security deposits	38,611	-	-	-	38,611
TOTAL ASSETS	\$ 14,981,665	\$ 45,066	\$ 898,534	\$ (19,249)	\$ 15,906,016
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable and accrued expenses	\$ 150,998	\$ -	\$ 31,762	\$ -	\$ 182,760
Affiliate payable	-	5,284	13,965	(19,249)	-
Deferred rent and lease incentive liabilities	157,483	-	-	-	157,483
Total Current Liabilities	308,481	5,284	45,727	(19,249)	340,243
Deferred rent and lease incentive liabilities, noncurrent	175,293	-	-	-	175,293
TOTAL LIABILITIES	483,774	5,284	45,727	(19,249)	515,536
Net Assets					
Unrestricted	8,131,736	39,782	852,807	-	9,024,325
Temporarily restricted	3,834,831	-	-	-	3,834,831
Permanently restricted	2,531,324	-	-	-	2,531,324
TOTAL NET ASSETS	14,497,891	39,782	852,807	-	15,390,480
TOTAL LIABILITIES AND NET ASSETS	\$ 14,981,665	\$ 45,066	\$ 898,534	\$ (19,249)	\$ 15,906,016

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

CONSOLIDATING STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	FAIR	FCTF	IRLI	Eliminations	Total
OPERATING REVENUE AND SUPPORT					
Grants	\$ 6,748,737	\$ 500	\$ 997,064	\$ (188,221)	\$ 7,558,080
Investment income	1,029,167	46	30,560	-	1,059,773
Contributions and bequests	648,389	-	-	-	648,389
Online marketing	77,565	-	722	-	78,287
Royalty income	40,994	-	-	-	40,994
Other income	50,004	-	535	(49,854)	685
TOTAL OPERATING REVENUE AND SUPPORT	8,594,856	546	1,028,881	(238,075)	9,386,208
EXPENSES					
Program Services:					
Media	1,381,786	-	-	-	1,381,786
Government relations	982,797	-	-	-	982,797
Public education	697,204	-	-	-	697,204
Field	582,491	-	-	-	582,491
Immigration Reform Law Institute (IRLI)	-	-	691,579	-	691,579
Membership education and service	475,603	-	-	-	475,603
Research and publications	440,191	-	-	-	440,191
Lobbying	212,533	-	-	-	212,533
FAIR Congressional Task Force (FCTF)	-	5,390	-	-	5,390
Public interest legal	235,099	-	-	(188,221)	46,878
Total Program Services	5,007,704	5,390	691,579	(188,221)	5,516,452
Supporting Services:					
Management and general	868,075	-	155,599	(49,854)	973,820
Fundraising	485,719	-	-	-	485,719
Total Supporting Services	1,353,794	-	155,599	(49,854)	1,459,539
TOTAL EXPENSES	6,361,498	5,390	847,178	(238,075)	6,975,991
Change in net assets before unrealized losses on investments	2,233,358	(4,844)	181,703	-	2,410,217
Unrealized losses on investments	(1,096,918)	-	(44,657)	-	(1,141,575)
CHANGE IN NET ASSETS	1,136,440	(4,844)	137,046	-	1,268,642
NET ASSETS, BEGINNING OF YEAR	13,361,451	44,626	715,761	-	14,121,838
NET ASSETS, END OF YEAR	\$ 14,497,891	\$ 39,782	\$ 852,807	\$ -	\$ 15,390,480