



FEDERATION FOR AMERICAN
IMMIGRATION REFORM

**FEDERATION FOR AMERICAN
IMMIGRATION REFORM AND AFFILIATES**

**Consolidated Financial Statements and
Supplementary Information**

*For the Year Ended December 31, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)*



**and
Report Thereon**



FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of 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, 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of FAIR and Affiliates as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FAIR and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FAIR and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 FAIR and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FAIR and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for the purpose of additional analysis and 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.

Summarized Comparative Information

We have previously audited FAIR and Affiliates' 2020 consolidated financial statements, and in our report dated June 8, 2021, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Marcum LLP

Washington, DC
June 7, 2022

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With Summarized Financial Information as of December 31, 2020)

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 10,161,993	\$ 9,764,714
Grants and contributions receivable	275,000	213,444
Prepaid expenses	41,556	76,210
Total Current Assets	10,478,549	10,054,368
Investments	24,817,556	25,766,829
Property and equipment, net	723,414	861,664
Artwork collections	15,000	15,000
Other assets	51,895	65,266
Security deposits	38,611	38,611
TOTAL ASSETS	\$ 36,125,025	\$ 36,801,738
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 468,963	\$ 438,900
Deferred rent and lease incentive liabilities, current portion	133,525	124,635
Total Current Liabilities	602,488	563,535
Deferred rent and lease incentive liabilities, net of current portion	1,270,683	1,404,207
TOTAL LIABILITIES	1,873,171	1,967,742
Net Assets		
Without donor restrictions		
Undesignated	9,995,121	12,767,405
Board-designated		
Reserve	7,173,135	6,179,149
Quasi-endowment fund	11,561,804	10,631,862
Total Without Donor Restrictions	28,730,060	29,578,416
With donor restrictions	5,521,794	5,255,580
TOTAL NET ASSETS	34,251,854	34,833,996
TOTAL LIABILITIES AND NET ASSETS	\$ 36,125,025	\$ 36,801,738

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, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
OPERATING REVENUE AND SUPPORT				
Grants	\$ 6,849,837	\$ -	\$ 6,849,837	\$ 5,764,176
Investment income	1,556,313	163,301	1,719,614	1,612,118
Government grants	-	-	-	936,262
Contributions and bequests	1,093,151	-	1,093,151	893,328
Online marketing	138,565	-	138,565	110,361
Royalty income	2,373	-	2,373	4,112
Other income	12,540	-	12,540	131,148
Net assets released from restrictions:				
Satisfaction of program restrictions	45,578	(45,578)	-	-
TOTAL OPERATING REVENUE AND SUPPORT	9,698,357	117,723	9,816,080	9,451,505
EXPENSES				
Program Services:				
Public education	3,968,306	-	3,968,306	5,868,494
Immigration Reform Law Institute (IRLI)	2,327,268	-	2,327,268	2,124,589
State and Local / Field	1,108,120	-	1,108,120	951,094
Media	626,587	-	626,587	1,073,457
Government relations	614,487	-	614,487	466,466
Research and publications	571,530	-	571,530	588,756
Membership education and service	519,371	-	519,371	387,516
Lobbying	180,675	-	180,675	174,767
Public interest legal	10,799	-	10,799	46,289
FAIR Congressional Task Force (FCTF)	2,703	-	2,703	4,897
Total Program Services	9,929,846	-	9,929,846	11,686,325
Supporting Services:				
Management and general	1,230,389	-	1,230,389	1,232,335
Fundraising	534,519	-	534,519	542,946
Total Supporting Services	1,764,908	-	1,764,908	1,775,281
TOTAL EXPENSES	11,694,754	-	11,694,754	13,461,606
Change in net assets before unrealized gain on investments	(1,996,397)	117,723	(1,878,674)	(4,010,101)
NONOPERATING GAIN				
Unrealized gain on investments	1,148,041	148,491	1,296,532	1,397,339
CHANGE IN NET ASSETS	(848,356)	266,214	(582,142)	(2,612,762)
NET ASSETS, BEGINNING OF YEAR	29,578,416	5,255,580	34,833,996	37,446,758
NET ASSETS, END OF YEAR	\$ 28,730,060	\$ 5,521,794	\$ 34,251,854	\$ 34,833,996

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, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	Program Services										Supporting Services			2021 Total	2020 Total	
	Public Education	IRLI	State and Local / Field	Media	Government Relations	Research and Publications	Membership Education and Service	Lobbying	Public Interest Legal	FCTF	Total Program Services	Management and General	Fundraising			Total Supporting Services
Salaries	\$ 519,702	\$ 976,367	\$ 613,366	\$ 331,300	\$ 345,698	\$ 298,789	\$ 149,394	\$ 31,465	\$ 7,930	\$ -	\$ 3,274,011	\$ 662,619	\$ 259,723	\$ 922,342	\$ 4,196,353	\$ 4,478,558
Media advertising	2,010,842	28,527	-	53,023	-	-	-	-	-	-	2,092,392	-	-	-	2,092,392	4,656,744
Employee benefits and payroll taxes	148,578	240,816	172,398	93,288	97,180	83,492	41,746	8,875	2,628	-	889,001	183,956	73,470	257,426	1,146,427	1,151,677
Legal fees	6,923	642,885	7,129	3,293	3,887	4,523	1,452	372	-	-	670,464	6,698	2,941	9,639	680,103	385,963
Rent	77,078	205,220	76,100	35,124	39,024	45,854	14,634	3,903	-	-	496,937	83,739	30,244	113,983	610,920	518,564
Meetings	499,284	-	1,398	629	629	839	280	70	-	-	503,129	1,188	559	1,747	504,876	33,238
Printing and handling	260,903	6,579	4,870	2,284	2,536	2,953	77,096	60,660	-	-	417,881	4,385	44,971	49,356	467,237	475,292
Postage and delivery	177,965	2,825	3,133	1,459	1,674	1,948	86,912	46,509	-	-	322,425	2,888	27,225	30,113	352,538	333,620
Taxes and insurance	38,447	91,632	37,315	17,157	19,161	21,998	6,970	1,909	-	-	234,589	38,342	14,607	52,949	287,538	266,789
Telephone and utilities	29,648	68,651	29,213	13,542	15,251	17,615	5,583	1,504	-	2,703	183,710	31,580	11,598	43,178	226,888	211,609
Publications and subscriptions	34,982	23,163	32,145	14,624	16,130	17,541	5,441	1,623	-	-	145,649	27,897	11,934	39,831	185,480	184,227
Computer services	33,002	10,506	32,071	14,649	16,606	18,895	5,999	1,643	-	-	133,371	28,852	12,571	41,423	174,794	161,802
Consulting fees and part-time help	23,828	5,010	29,263	14,853	16,733	14,403	7,202	12,964	241	-	124,497	32,054	12,176	44,230	168,727	68,839
Depreciation and amortization	26,652	9,310	26,752	12,284	13,889	16,407	5,277	1,378	-	-	111,949	25,035	10,787	35,822	147,771	136,243
Travel and entertainment	16,078	10,021	16,952	7,146	9,778	10,695	3,565	891	-	-	75,126	17,238	7,131	24,369	99,495	45,175
Database management	-	-	-	-	-	-	73,334	-	-	-	73,334	-	-	-	73,334	66,691
Employee education and training	10,646	487	10,993	5,099	5,624	7,055	2,268	567	-	-	42,739	9,988	4,536	14,524	57,263	69,320
Bank charges	5,757	-	5,795	2,638	2,990	3,552	1,150	298	-	-	22,180	31,314	2,342	33,656	55,836	46,453
Direct mail list rental	37,855	-	-	-	-	-	-	5,579	-	-	43,434	-	4,216	4,216	47,650	55,135
Accounting fees	7,131	-	6,225	2,801	3,103	3,132	943	311	-	-	23,646	17,768	2,188	19,956	43,602	46,942
Caging	-	-	-	-	-	-	24,208	-	-	-	24,208	-	-	-	24,208	20,937
Membership dues	-	5,269	-	-	3,040	-	830	-	-	-	9,139	14,645	95	14,740	23,879	21,318
Office expenses	1,679	-	1,707	790	896	1,066	343	88	-	-	6,569	6,684	696	7,380	13,949	17,898
Equipment rental and maintenance	1,326	-	1,295	604	658	773	244	66	-	-	4,966	3,519	509	4,028	8,994	8,322
Grants to other organizations	-	-	-	-	-	-	4,500	-	-	-	4,500	-	-	-	4,500	250
TOTAL EXPENSES	\$ 3,968,306	\$ 2,327,268	\$ 1,108,120	\$ 626,587	\$ 614,487	\$ 571,530	\$ 519,371	\$ 180,675	\$ 10,799	\$ 2,703	\$ 9,929,846	\$ 1,230,389	\$ 534,519	\$ 1,764,908	\$ 11,694,754	\$ 13,461,606

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, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (582,142)	\$ (2,612,762)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Realized gains on sales of investments	(1,358,869)	(1,076,245)
Unrealized gain on investments	(1,296,532)	(1,397,339)
Depreciation and amortization	147,771	136,243
Changes in assets and liabilities:		
Grants and contributions receivable	(61,556)	786,556
Prepaid expenses	34,654	(13,339)
Other assets	13,371	(5,233)
Accounts payable and accrued expenses	30,063	(200,848)
Deferred rent and lease incentive liabilities	(124,634)	(90,006)
NET CASH USED IN OPERATING ACTIVITIES	(3,197,874)	(4,472,973)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	25,423,218	46,559,364
Purchases of investments	(21,818,544)	(38,569,212)
Purchases of property and equipment	(9,521)	(46,638)
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,595,153	7,943,514
NET INCREASE IN CASH AND CASH EQUIVALENTS	397,279	3,470,541
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	9,764,714	6,294,173
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 10,161,993	\$ 9,764,714
SUPPLEMENTAL INFORMATION		
NONCASH INVESTING ACTIVITIES		
Increase in property and equipment – leasehold improvements	\$ -	\$ 61,028
Increase in deferred lease incentives	-	(28,078)
Decrease in other assets	-	(32,950)
	\$ -	\$ -

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, 2021

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 accounting principles generally accepted in the United States of America (GAAP). 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 and exchange-traded funds, fixed-income securities, and common 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, 2021

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

Fair Value Measurement

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 below 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.

As of and for the year ended December 31, 2021, only FAIR and Affiliates' investments, as described in Note 4 of these consolidated financial statements, were measured at fair value on a recurring basis.

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. Property and equipment with an acquisition value of \$2,000 or more and an economic life in excess of one year are capitalized. 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.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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

Net Assets

FAIR and Affiliates' net assets are reported as follows:

- Net assets without donor restrictions 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.

Board-designated reserves – represent net assets without donor restriction that have been designated 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 bequests without donor restriction contributed to FAIR and Affiliates. Investment income earned by this fund is reinvested within the fund.

- Net assets with donor restrictions represent the funds that are specifically restricted by donors for use in various programs or for use in future periods. They also represent endowment funds requiring that the gift be held in perpetuity, such that only the investment earnings can be expended by FAIR and Affiliates.

Revenue Recognition

FAIR and Affiliates recognizes revenue from grants, contributions and bequests in the year in which the promise to give becomes unconditional. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Grants and contributions are recorded with donor restrictions 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 met (i.e., funds are spent or released based on spending policy), net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

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

Functional Allocation of Expenses

The costs of providing programs and activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to specific functional areas are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various areas in proportion to allocated salaries (program area allocation) or the amount of time spent on a particular program to total time spent by employees on all activities (office overhead allocation). Shared costs include salaries and employee benefits, as well as overhead expenses, including rent, utilities and telephone, depreciation and amortization, accounting and computer services, insurance, meetings, office expenses, printing, bank charges, and taxes.

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.

2. Grants and Contributions Receivable

As of December 31, 2021, grants receivable consisted of bequests and contributions from individuals expected to be collected in one year. All amounts were deemed to be fully collectible.

3. Investments

Investments, at fair value, consisted of the following at December 31, 2021:

Common stocks	\$ 13,599,137
Mutual and exchange-traded funds	10,624,672
Fixed-income securities	<u>593,747</u>
Total Investments	<u>\$ 24,817,556</u>

For the year ended December 31, 2021, investment income consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Investment income, net	\$ 1,556,313	\$ 163,301	\$ 1,719,614
Unrealized gain	<u>1,148,041</u>	<u>148,491</u>	<u>1,296,532</u>
Total	<u>\$ 2,704,354</u>	<u>\$ 311,792</u>	<u>\$ 3,016,146</u>

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

4. Fair Value Measurement

The following table summarizes FAIR and Affiliates' assets measured at fair value on a recurring basis as of December 31, 2021:

	Total	Quoted Prices In Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Assets:				
Investments:				
Common stocks:				
Information technology	\$ 3,242,311	\$ 3,242,311	\$ -	\$ -
Telecommunications	2,172,131	2,172,131	-	-
Consumer discretionary	1,636,542	1,636,542	-	-
Financial	1,518,887	1,518,887	-	-
Healthcare sector	1,498,045	1,498,045	-	-
Utilities	1,175,154	1,175,154	-	-
Industrial sector	924,927	924,927	-	-
Consumer staples	627,993	627,993	-	-
Energy	495,008	495,008	-	-
Real estate	264,322	264,322	-	-
Materials	<u>43,817</u>	<u>43,817</u>	-	-
Total Common Stocks	<u>13,599,137</u>	<u>13,599,137</u>	-	-
Mutual and exchange-traded funds:				
Fixed-income	5,997,757	5,997,757	-	-
Alternatives	444,737	444,737	-	-
Equities:				
Large blend	2,006,902	2,006,902	-	-
Emerging markets	900,104	900,104	-	-
Large growth	658,450	658,450	-	-
Small blend	249,294	249,294	-	-
Medium blend	<u>367,428</u>	<u>367,428</u>	-	-
Total Mutual and Exchange-Traded Funds	<u>10,624,672</u>	<u>10,624,672</u>	-	-
Fixed-income securities:				
Corporate bonds	<u>593,747</u>	-	<u>593,747</u>	-
Total	<u>\$ 24,817,556</u>	<u>\$ 24,223,809</u>	<u>\$ 593,747</u>	<u>\$ -</u>

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

4. Fair Value Measurement (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.

Mutual and exchange-traded 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.

Fixed-income securities – 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.

5. Property and Equipment and Accumulated Depreciation and Amortization

FAIR and Affiliates held the following property and equipment as of December 31, 2021:

Leasehold improvements	\$ 2,162,278
Office furniture and equipment	312,588
Website costs	<u>128,230</u>
Total Property and Equipment	2,603,096
Less: Accumulated Depreciation and Amortization	<u>(1,879,682)</u>
Property and Equipment, Net	<u>\$ 723,414</u>

For the year ended December 31, 2021, depreciation and amortization expense totaled \$147,771.

6. Commitments and Risks

Office Lease

FAIR leases office space under a noncancelable operating lease for its Washington, D.C., office. On March 22, 2017, FAIR amended its existing office space lease, extending the lease term by 11 years with a new expiration date of December 2028. The lease agreement contains a fixed escalation clause for increases in the annual minimum rent at a rate of 2.5% per year along with certain incentives consisting of rent abatements and improvement allowances. FAIR will also be required to pay for its proportionate share of operating expenses and real estate taxes.

On November 1, 2019, FAIR and Affiliates amended its existing office space lease by increasing its current space office space within the same building by 2,551 square feet with an expiration date of December 2028 so as to be co-terminus with the lease term for the existing

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

6. Commitments and Risks (continued)

Office Lease (continued)

office spaces. The lease agreement contains a fixed escalation clause for increases in the annual minimum rent at a rate of 2.5% per year along with a 3 month rent abatement. FAIR will be required to pay for its proportionate share of operating expenses and real estate taxes.

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 incentive liabilities in the accompanying consolidated statement of financial position.

The total future minimum rental payments required under the lease agreements are as follows:

<u>For the Year Ending December 31,</u>	
2022	\$ 744,445
2023	772,705
2024	792,118
2025	811,921
2026	832,217
Thereafter	<u>1,727,241</u>
Total	<u>\$ 5,680,647</u>

Rent expense totaled \$610,920 for the year ended December 31, 2021, and is included in the accompanying consolidated statement of functional expenses.

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, 2021, FAIR and Affiliates had approximately \$10,223,000 composed of demand deposits, which exceeded the maximum limit insured by the FDIC by approximately \$8,757,000. 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 such changes could materially affect the amounts reported in the consolidated financial statements.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

6. Commitments and Risks (continued)

Concentration of Risk (continued)

Concentration of Revenue

During the year ended December 31, 2021, FAIR and Affiliates received \$6,545,000 in grants and contributions from five donors. Grants and contributions from the five donors represented approximately 67% of the total operating revenue and support recognized by FAIR and Affiliates for the year ended December 31, 2021. If a significant reduction in funding from these donors were to occur, it might adversely impact FAIR and Affiliates' financial position and ability to carry out its program activities.

Other Risks and Uncertainties

The COVID-19 pandemic has caused business disruptions, and some uncertainty remains about the future severity and duration of the pandemic. FAIR and Affiliates has continued operations in a remote environment as necessary and without interruption to its programmatic activities; however, at this point, the extent to which COVID-19 may impact FAIR and Affiliates' financial condition or results of operations is uncertain.

7. 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 be drawn upon to fund FAIR's and IRLI's operations in time of need, as approved by their Boards of Directors. In accordance with these resolutions, FAIR and IRLI transfer funds from general operations to the board-designated reserve fund in an amount equal to 5% of all contributions without donor restrictions 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 \$5,652,248 and \$1,520,887, respectively, as of December 31, 2021.

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 or repayments during the year ended December 31, 2021, and there was no outstanding balance as of December 31, 2021.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

8. Net Assets

Without Donor Restrictions

Net assets without donor restrictions that remained as of December 31, 2021, were made up of the following balances:

Undesignated	<u>\$ 9,995,121</u>
Board-designated	
Reserve fund	7,173,135
Swensrud Memorial Endowment fund	<u>11,561,804</u>
Total Board-Designated	<u>18,734,939</u>
Total Net Assets Without Donor Restrictions	<u>\$ 28,730,060</u>

With Donor Restrictions

Net assets with donor restrictions that remained as of December 31, 2021, were available for the following purposes or period:

Subject to expenditure for specified purpose:

Public education	\$ 1,129,483
Swensrud Memorial Internship program	<u>137,072</u>
Total Purpose-Restricted	1,266,555

Subject to occurrence of passage of time:

Time-restricted for board appropriation	1,723,915
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Subject to be held in perpetuity:

Swensrud Endowment Fund	<u>2,531,324</u>
Total Net Assets With Donor Restrictions	<u>\$ 5,521,794</u>

9. 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 perpetual endowment funds (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 perpetual endowment funds is

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

9. Endowment Funds (continued)

classified as net assets with donor-imposed purpose restrictions until those amounts are 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 its 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 30% fixed income (with a range of 20-50%), 10% money market funds (with a range of 0-15%) and 60% stocks (with a range of 20-65%).

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 10 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, 2021**

9. Endowment Funds (continued)

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. It's FAIR's interpretation and policy under UPMIFA that it has the ability and will continue to spend from underwater funds. There were no such deficiencies as of December 31, 2021.

Composition and Activity of Endowment Funds by Net Asset Category

The endowment's net asset composition by type of fund is as follows as of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board-designated funds	\$ 11,561,804	\$ -	\$ 11,561,804
Donor-restricted funds:			
Historical gift value	-	2,531,324	2,531,324
Appreciation	<u>-</u>	<u>1,860,987</u>	<u>1,860,987</u>
Total Funds	<u>\$ 11,561,804</u>	<u>\$ 4,392,311</u>	<u>\$ 15,954,115</u>

Changes in endowment net assets are as follows for the year ended December 31, 2021:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, January 1, 2021	\$ 10,631,862	\$ 4,126,097	\$ 14,757,959
Investment gain, net	1,309,563	311,792	1,621,355
Contributions	297,631	-	297,631
Appropriations:			
Internship	-	(45,578)	(45,578)
Spending policy	<u>(677,252)</u>	<u>-</u>	<u>(677,252)</u>
Endowment Net Assets December 31, 2021	<u>\$ 11,561,804</u>	<u>\$ 4,392,311</u>	<u>\$ 15,954,115</u>

Net Assets With Donor Restrictions

Perpetual Endowment Funds:

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

\$ 2,531,324

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

9. Endowment Funds (continued)

Net Assets With Donor Restrictions (continued)

Endowment Funds With Donor-Imposed Purpose Restrictions:

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

With purpose restrictions	\$ 137,072
Funds awaiting board appropriation	<u>1,723,915</u>
Total Endowment Funds With Donor-Imposed Purpose Restrictions	<u>\$ 1,860,987</u>

10. 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%, 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 \$184,026 for the year ended December 31, 2021, 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 \$1,629 for the year ended December 31, 2021, and are included in employee benefits and payroll taxes in the accompanying consolidated statement of functional expenses. As of December 31, 2021, the deferred compensation plan assets and liabilities totaled \$49,395 and are included in other assets and accounts payable and accrued expenses, respectively, in the accompanying consolidated statement of financial position.

11. Allocation of Joint Costs

During the year ended December 31, 2021, FAIR and Affiliates incurred joint costs of \$625,179 for informational materials and activities, which included fundraising appeals. Of these costs, \$73,206 was allocated to fundraising expenses and \$551,973 was allocated to program service expenses in the accompanying consolidated statement of functional expenses.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

12. Availability and Liquidity

FAIR and Affiliates' financial assets available within one year of the consolidated statements of financial position for general expenditure are as follows:

Financial assets available at year-end:	
Cash and cash equivalents, without donor or board restrictions	\$ 6,606,764
Investments, without donor or board restrictions	<u>4,401,052</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	
	<u>\$ 11,007,816</u>

FAIR and Affiliates' liquid assets have fluctuations during the year due to timing of contributions and as part of FAIR and Affiliates' liquidity management, it has a policy to structure its financials assets to be available as its general expenditures, liabilities and other obligations come due. As part of its liquidity plan, excess operating cash is invested in short-term, low-risk investments. In addition, 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 which is described in Note 7 above, and it also has an endowment spending policy that allows for 5% annual release in the current year operations to fund general expenditures which is described in Note 9.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, FAIR and Affiliates considers all expenditures related to its ongoing activities of media advertising, public education, research and publications, lobbying, and public interest legal as well as the conduct of services undertaken to support those activities to be general expenditures. Investments related to executive deferred compensation are not included in the analysis as the principal and interest on these investments are solely for the executive, and therefore, not available to meet current operating needs.

13. 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, 2021, 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 FASB Accounting Standards Codification Topic 740, *Income Taxes*. FAIR and Affiliates performed an evaluation of uncertainty in income taxes for the year ended December 31, 2021, 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.

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

13. Income Taxes (continued)

U.S. federal jurisdiction and/or the various states and local jurisdictions in which FAIR and Affiliates files tax returns are open for examination pending or in progress. FAIR and Affiliates are not currently under audit by the U.S. Internal Revenue Service. It is FAIR and Affiliates' policy to recognize interest and penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2021, FAIR and Affiliates had no accruals for interest and/or penalties.

14. 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, 2020, from which the summarized information was derived.

15. Subsequent Events

In preparing these consolidated financial statements, FAIR and Affiliates has evaluated events and transactions, for potential recognition or disclosure, through June 7, 2022, the date the consolidated financial statements were available to be issued and there were no other subsequent events required to be reported.

SUPPLEMENTARY INFORMATION

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2021

	<u>FAIR</u>	<u>FCTF</u>	<u>IRLI</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS					
Current assets					
Cash and cash equivalents	\$ 5,982,787	\$ 221,568	\$ 3,957,638	\$ -	\$ 10,161,993
Grants and contributions receivable, net	275,000	-	-	-	275,000
Affiliate receivable	67,776	-	-	(67,776)	-
Prepaid expenses	33,385	-	8,171	-	41,556
Total Current Assets	6,358,948	221,568	3,965,809	(67,776)	10,478,549
Investments	23,489,572	-	1,327,984	-	24,817,556
Property and equipment, net	691,595	-	31,819	-	723,414
Artwork collections	15,000	-	-	-	15,000
Other assets	51,895	-	-	-	51,895
Security deposits	38,611	-	-	-	38,611
TOTAL ASSETS	\$ 30,645,621	\$ 221,568	\$ 5,325,612	\$ (67,776)	\$ 36,125,025
LIABILITIES AND NET ASSETS					
Liabilities					
Current liabilities					
Accounts payable and accrued expenses	\$ 389,796	\$ -	\$ 79,167	\$ -	\$ 468,963
Affiliate payable	-	-	67,776	(67,776)	-
Deferred rent and lease incentive liabilities, current portion	133,525	-	-	-	133,525
Total Current Liabilities	523,321	-	146,943	(67,776)	602,488
Deferred rent and lease incentive liabilities, net of current portion	1,270,683	-	-	-	1,270,683
TOTAL LIABILITIES	1,794,004	-	146,943	(67,776)	1,873,171
Net Assets					
Without donor restrictions	23,329,823	221,568	5,178,669	-	28,730,060
With donor restrictions	5,521,794	-	-	-	5,521,794
TOTAL NET ASSETS	28,851,617	221,568	5,178,669	-	34,251,854
TOTAL LIABILITIES AND NET ASSETS	\$ 30,645,621	\$ 221,568	\$ 5,325,612	\$ (67,776)	\$ 36,125,025

See independent auditors' report

FEDERATION FOR AMERICAN IMMIGRATION REFORM AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the Year Ended December 31, 2021

	FAIR	FCTF	IRLI	Eliminations	Total
OPERATING REVENUE AND SUPPORT					
Grants	\$ 4,134,562	\$ -	\$ 2,715,275	\$ -	\$ 6,849,837
Investment income, net	1,645,902	208	73,504	-	1,719,614
Contributions and bequests	1,093,031	120	-	-	1,093,151
Online marketing	138,565	-	-	-	138,565
Royalty income	2,373	-	-	-	2,373
Other income	68,803	-	11,400	(67,663)	12,540
TOTAL OPERATING REVENUE AND SUPPORT	7,083,236	328	2,800,179	(67,663)	9,816,080
EXPENSES					
Program Services:					
Public education	3,968,306	-	-	-	3,968,306
Immigration Reform Law Institute (IRLI)	-	-	2,327,268	-	2,327,268
State and Local / Field	1,108,120	-	-	-	1,108,120
Media	626,587	-	-	-	626,587
Government relations	614,487	-	-	-	614,487
Research and publications	571,530	-	-	-	571,530
Membership education and service	519,371	-	-	-	519,371
Lobbying	180,675	-	-	-	180,675
Public interest legal	10,799	-	-	-	10,799
FAIR Congressional Task Force (FCTF)	-	2,703	-	-	2,703
Total Program Services	7,599,875	2,703	2,327,268	-	9,929,846
Supporting Services:					
Management and general	1,062,644	2,299	233,109	(67,663)	1,230,389
Fundraising	534,519	-	-	-	534,519
Total Supporting Services	1,597,163	2,299	233,109	(67,663)	1,764,908
TOTAL EXPENSES	9,197,038	5,002	2,560,377	(67,663)	11,694,754
Change in net assets before unrealized gain on investments	(2,113,802)	(4,674)	239,802	-	(1,878,674)
NONOPERATING INCOME					
Unrealized gain on investments	1,176,212	-	120,320	-	1,296,532
CHANGE IN NET ASSETS	(937,590)	(4,674)	360,122	-	(582,142)
NET ASSETS, BEGINNING OF YEAR	29,789,207	226,242	4,818,547	-	34,833,996
NET ASSETS, END OF YEAR	\$ 28,851,617	\$ 221,568	\$ 5,178,669	\$ -	\$ 34,251,854

See independent auditors' report