

IMMIGRANT LAW CENTER OF MINNESOTA, INC.

FINANCIAL STATEMENTS

**YEAR ENDED DECEMBER 31, 2012 AND
EIGHT-MONTH PERIOD ENDED DECEMBER 31, 2011**

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
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EIGHT-MONTH PERIOD ENDED DECEMBER 31, 2011

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Immigrant Law Center of Minnesota, Inc.
St. Paul, Minnesota

We have audited the accompanying financial statements of Immigrant Law Center of Minnesota, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expense and cash flows for the year and eight-month period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Immigrant Law Center of Minnesota, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the year and eight-month period then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 4, 2013



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IMMIGRANT LAW CENTER OF MINNESOTA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
Cash	\$ 537,520	\$ 383,052
Prepays	17,320	13,758
Accounts Receivable	6,069	1,962
Grants Receivable	120,757	118,108
Pledges Receivable	341,953	178,624
Furniture and Equipment, Net	26,376	35,473
	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,049,995</u>	<u>\$ 730,977</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 7,636	\$ 6,450
Accrued Vacation and Payroll	25,135	25,855
Deferred Revenue	2,250	4,250
Capital Lease Obligation	10,716	15,626
Total Liabilities	<u>45,737</u>	<u>52,181</u>
 NET ASSETS		
Unrestricted:		
Equity in Fixed Assets	26,376	35,473
Board Designated Replacement Reserve	30,880	-
Board Designated Operating Reserve	354,766	288,319
Total Unrestricted	<u>412,022</u>	<u>323,792</u>
Temporarily Restricted	592,236	355,004
Total Net Assets	<u>1,004,258</u>	<u>678,796</u>
	<u> </u>	<u> </u>
Total Liabilities and Net Assets	<u>\$ 1,049,995</u>	<u>\$ 730,977</u>

See accompanying Notes to Financial Statements.

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
STATEMENTS OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
AND EIGHT-MONTH PERIOD ENDED DECEMBER 31, 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 40,370	\$ 931,776	\$ 972,146
Donations	638,628	5,120	643,748
Total Support	678,998	936,896	1,615,894
Revenue:			
Government Grants and Contracts	211,686	154,006	365,692
Other Contracts	-	58,222	58,222
Earned Income	15,275	-	15,275
Events/Annual Banquet	58,139	-	58,139
Miscellaneous	1,078	-	1,078
Total Revenue	286,178	212,228	498,406
Net Assets Released from Restrictions	911,892	(911,892)	-
Total Support and Revenue	1,877,068	237,232	2,114,300
EXPENSE			
Program Services:			
Legal Assistance	1,408,066	-	1,408,066
Community Education	105,021	-	105,021
Total Program Services	1,513,087	-	1,513,087
Support Services:			
Management and General	99,539	-	99,539
Fundraising	176,212	-	176,212
Total Support Services	275,751	-	275,751
Total Expense	1,788,838	-	1,788,838
CHANGES IN NET ASSETS	88,230	237,232	325,462
Net Assets - Beginning of Year	323,792	355,004	678,796
NET ASSETS - END OF YEAR	<u>\$ 412,022</u>	<u>\$ 592,236</u>	<u>\$ 1,004,258</u>

See accompanying Notes to Financial Statements.

2011		
Unrestricted	Temporarily Restricted	Total
\$ 30,390	\$ 233,693	\$ 264,083
325,502	1,329	326,831
<u>355,892</u>	<u>235,022</u>	<u>590,914</u>
166,972	100,776	267,748
-	61,409	61,409
9,442	-	9,442
2,760	-	2,760
1,275	-	1,275
<u>180,449</u>	<u>162,185</u>	<u>342,634</u>
<u>471,031</u>	<u>(471,031)</u>	<u>-</u>
1,007,372	(73,824)	933,548
825,255	-	825,255
69,295	-	69,295
<u>894,550</u>	<u>-</u>	<u>894,550</u>
57,559	-	57,559
95,222	-	95,222
<u>152,781</u>	<u>-</u>	<u>152,781</u>
<u>1,047,331</u>	<u>-</u>	<u>1,047,331</u>
(39,959)	(73,824)	(113,783)
<u>363,751</u>	<u>428,828</u>	<u>792,579</u>
<u>\$ 323,792</u>	<u>\$ 355,004</u>	<u>\$ 678,796</u>

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2012

2012

	Program Services					
	Legal Assistance	Community Education	Total Program Services	Management and General	Fundraising	Total All Services
Personnel:						
Salaries and Taxes	\$ 559,178	\$ 73,201	\$ 632,379	\$ 50,096	\$ 88,215	\$ 770,690
Benefits	113,962	16,820	130,782	12,981	30,511	174,274
Total Personnel	673,140	90,021	763,161	63,077	118,726	944,964
Insurance	1,869	254	2,123	130	303	2,556
Malpractice Insurance	9,372	-	9,372	-	-	9,372
Donated Goods and Services	547,170	-	547,170	550	23,506	571,226
Contracted Services	53,242	1,938	55,180	17,549	1,716	74,445
Office Rent	36,949	4,007	40,956	7,179	4,672	52,807
Repairs and Maintenance	4,132	422	4,554	251	527	5,332
Telephone	6,762	1,103	7,865	240	561	8,666
Supplies	8,481	829	9,310	1,763	1,170	12,243
Postage	11,502	47	11,549	359	645	12,553
Printing	2,807	236	3,043	134	425	3,602
Subscriptions and Dues	18,871	2,571	21,442	1,211	1,141	23,794
Staff Travel and Development	16,968	1,745	18,713	1,579	548	20,840
Litigation/Research	109	-	109	-	-	109
Meetings/Outreach	3,070	623	3,693	1,707	387	5,787
Training Presentations	2,346	-	2,346	-	-	2,346
Events	-	-	-	-	20,495	20,495
Miscellaneous	3,646	246	3,892	3,272	200	7,364
Total Expense before Depreciation	1,400,436	104,042	1,504,478	99,001	175,022	1,778,501
Depreciation	7,630	979	8,609	538	1,190	10,337
Total Expense	\$ 1,408,066	\$ 105,021	\$ 1,513,087	\$ 99,539	\$ 176,212	\$ 1,788,838
	79%	6%	85%	5%	10%	100%

See accompanying Notes to Financial Statements.

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
STATEMENT OF FUNCTIONAL EXPENSE
EIGHT-MONTH PERIOD ENDED DECEMBER 31, 2011

2011

	Program Services			Management and General	Fundraising	Total All Services
	Legal Assistance	Community Education	Total Program Services			
Personnel:						
Salaries and Taxes	\$ 338,954	\$ 46,210	\$ 385,164	\$ 24,209	\$ 58,098	\$ 467,471
Benefits	77,346	11,014	88,360	5,596	18,309	112,265
Total Personnel	416,300	57,224	473,524	29,805	76,407	579,736
Insurance	1,297	116	1,413	67	202	1,682
Malpractice Insurance	5,731	-	5,731	-	-	5,731
Donated Goods and Services	292,380	-	292,380	-	-	292,380
Contracted Services	39,036	1,246	40,282	10,164	1,637	52,083
Office Rent	23,931	2,267	26,198	8,678	2,957	37,833
Repairs and Maintenance	2,275	255	2,530	91	339	2,960
Telephone	3,819	819	4,638	510	340	5,488
Supplies	3,004	444	3,448	310	411	4,169
Postage	7,453	36	7,489	576	330	8,395
Printing	1,956	177	2,133	69	230	2,432
Subscriptions and Dues	9,030	2,354	11,384	1,294	844	13,522
Staff Travel and Development	10,627	1,167	11,794	3,532	709	16,035
Litigation/Research	1,906	-	1,906	-	-	1,906
Meetings/Outreach	977	552	1,529	63	359	1,951
Training Presentations	213	95	308	-	-	308
Events	-	-	-	-	6,490	6,490
Miscellaneous	140	1,944	2,084	2,125	3,142	7,351
Total Expense before Depreciation	820,075	68,696	888,771	57,284	94,397	1,040,452
Depreciation	5,180	599	5,779	275	825	6,879
Total Expense	\$ 825,255	\$ 69,295	\$ 894,550	\$ 57,559	\$ 95,222	\$ 1,047,331
	79%	7%	86%	5%	9%	100%

See accompanying Notes to Financial Statements.

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
EIGHT-MONTH PERIOD ENDED DECEMBER 31, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 325,462	\$ (113,783)
Adjustments to Reconcile Changes in Net Assets to Net		
Cash Provided by Operating Activities:		
Depreciation	10,337	6,879
Change in Current Assets and Liabilities:		
Increase in Prepaids	(3,562)	(8,632)
(Increase) Decrease in Receivables	(170,085)	245,266
Increase (Decrease) in Accounts Payable	1,186	(20,551)
Increase (Decrease) in Deferred Revenue	(2,000)	4,250
Decrease in Accrued Vacation and Payroll	(720)	(27,083)
Net Cash Provided by Operating Activities	<u>160,618</u>	<u>86,346</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Furniture and Fixtures	(1,240)	(1,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease	<u>(4,910)</u>	<u>(3,140)</u>
NET INCREASE IN CASH	154,468	81,806
Cash - Beginning of Year	<u>383,052</u>	<u>301,246</u>
CASH - END OF YEAR	<u><u>\$ 537,520</u></u>	<u><u>\$ 383,052</u></u>
SUPPLEMENTAL DISCLOSURES		
Noncash Donated Services	<u><u>\$ 571,226</u></u>	<u><u>\$ 292,380</u></u>
Interest Paid	<u><u>\$ 670</u></u>	<u><u>\$ 580</u></u>

See accompanying Notes to Financial Statements.

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Purpose

Brief Summary of Organization History

The Immigrant Law Center of Minnesota (ILCM) has been serving Minnesota's immigrants and refugees from its offices in St. Paul since 1976. ILCM began as Oficina Legal, a program of Southern Minnesota Regional Legal Services (SMRLS), the federally funded nonprofit. With ILCM as a program, SMRLS became nationally known as a pioneer in providing immigration-related legal services to low-income individuals. In 1996, federal restrictions limiting the types of clients that SMRLS could serve as a federally funded legal services program compelled ILCM to become an independent organization.

Since 1996, ILCM has provided free legal assistance to low-income families and individuals of all nationalities in immigration matters. Historically, ILCM provided comprehensive services to persons residing in the St. Paul metro area and the 33 counties in southern Minnesota. Beginning in fiscal year 2010, ILCM expanded its service area to the entire State of Minnesota. Previously, ILCM provided statewide services only for victims of domestic violence and other serious crimes.

In order for clients to qualify for ILCM's services, they must have an income equal to or less than 187.5% of the federal poverty guidelines, depending on family size.

ILCM's work is essential for strengthening immigrants and refugees' lives in Minnesota. Indeed, legal service programs throughout Minnesota, community organizations, and elected officials rely heavily on the expertise of ILCM staff. Without ILCM's services, hundreds of immigrant families and individuals would have no assistance navigating a remarkably complex legal realm. ILCM provides essential legal aid to immigrants and their families, allowing them to overcome legal obstacles in order to thrive in Minnesota.

Brief Summary of Mission and Goals

The mission of the Immigrant Law Center of Minnesota is to provide quality immigration legal services, law-related education, and advocacy to meet the steadily increasing needs of Minnesota's growing immigrant and refugee populations.

Consequently, ILCM's goals are to:

- Remedy legal problems by providing quality immigration legal services to low-income immigrants and refugees of all nationalities;
- Prevent legal problems by providing law-related education to immigrants and refugees of all nationalities;
- Raise public awareness of immigration issues so as to encourage sound public policy that protects the universal human rights of immigrants and is both compassionate and practical.

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization Purpose (Continued)

Brief Description of Current Programs and Service Statistics

Programs and Activities: ILCM provides both direct legal representation and brief advice and service on three levels. ILCM assists persons with applications for benefits to the U.S. Citizenship and Immigration Service (USCIS). It represents persons in immigration court and it represents persons in the appeal process before the Board of Immigration Appeals (BIA) and federal courts.

In order to meet the specialized needs of our clients, ILCM is operating and developing several innovative programs.

- the **New Beginnings Project** assists battered immigrant women and children throughout the state in filing Violence Against Women Act petitions, assists victims of serious crimes with U-Visa applications, assists with various other related applications, and works closely with other service organizations and law enforcement to mutually assist these clients;
- the **Minnesota Detention Assistance Project**, operated jointly with the Advocates for Human Rights and area law schools, provides representation for detainees in custody, assists in filing asylum applications, and presents appeals in court to defend the constitutionally-guaranteed fundamental liberties of immigrants;
- the **Pro Bono Immigration Project** increases services and maximizes community resources by recruiting, training, and supervising volunteer attorneys to provide assistance with naturalization cases. The project also pairs more experienced attorneys with more complex cases like domestic abuse and federal appellate court cases;
- the **Refugee Services Project** collaborates with community organizations like the Neighborhood House to provide holistic services that include immigration advice and assistance to Minnesota's newest refugees;
- the **Rural Immigration Project**, previously the Worthington Immigration Project, expands our provision of legal representation and coordination of education to immigrant individuals and families living in rural Minnesota;
- the **Youth Intervention Project** educates non-citizen immigrant teenagers and young adults about the crimes that lead to deportation and how young adults can change their behaviors and their immigration status to avoid deportation. This project provides educational presentations on immigration law and law-related topics to ELL (English Language Learner) students, teachers, nurses, school administrators, and parents;
- the **Advocacy & Defense Project** allows ILCM to provide systematic education to immigrants, the general public, and policymakers about the human impact of immigration laws and proposals;

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Organization Purpose (Continued)

Brief Description of Current Programs and Service Statistics (Continued)

- the **Appellate Litigation Project** provides and facilitates high quality representation for immigrants before the U.S. Courts of Appeals and the Board of Immigration Appeals, prioritizing cases with the potential to benefit large numbers of immigrants in Minnesota; and
- the **Public Defenders Project** provides technical assistance, training, and education to Minnesota public defenders on the immigration consequences of criminal convictions as required by the U.S. Supreme Court's decision in Padilla v. Kentucky.
- the **DREAMers Immigration Project** provides legal representation and outreach for immigrants between the ages of 15 and 30 who are now eligible for legal status under Deferred Action for Childhood Arrivals;
- the **Minnesota Family Naturalization Project** focuses on increasing the number of legal permanent residents in Minnesota who apply for and successfully become United States citizens while building collaborations across sectors to promote the importance of citizenship in increasing civic engagement and strengthening communities.

During the year ended December 31, 2012, ILCM worked on 4,635 cases providing brief legal advice and direct representation. Our clients originated in 98 different countries from around the world. The needs of our clients ranged from family reunification to defense in removal (deportation) proceedings. During the year ended December 31, 2012, ILCM worked with 196 active pro bono attorneys who donated 2,933 hours toward serving 508 individuals and their families.

ILCM also reached approximately 6,778 persons through law-related education and advocacy presentations and countless others through radio and television appearances during the year ended December 31, 2012. Attendees at the presentations included immigrant and refugee youth, educators, immigrants and their advocates, attorneys, judges, law enforcement, community leaders, or elected officials.

Basis of Presentation

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

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues that the board has set aside for a particular purpose.

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or the passage of time.

Permanently Restricted – Those resources subject to a donor-imposed restriction that they be maintained permanently. At this time the Organization has no such permanently restricted resources.

Revenue Recognition

The Organization recognizes contributions as revenue when they are received or unconditionally pledged. All contributions with donor-imposed restrictions are reported as increases in temporarily restricted net assets or permanently restricted net assets depending on the nature of the restriction. When the restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash

The Organization maintains its checking and savings accounts at one institution. Balances are insured by the Federal Deposit Insurance Corporation up to certain limits. At times during the year, cash in bank exceeded FDIC insurable limits.

Pledges Receivable

Pledges to give that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at fair value, which is determined to be the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Amortization of the discount is included in contribution revenue. Conditional pledges are not included as support until such time as the conditions are substantially met.

Grants and Accounts Receivable

Receivables are stated at net realizable value. No allowance for doubtful accounts has been provided as all receivables are considered collectible.

Property and Equipment

All major expenditures for property and equipment are capitalized at cost. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of furniture and equipment are recorded as unrestricted. All assets are depreciated on a straight-line basis over the estimated useful lives of the assets.

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contracts

Government grants are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as grant advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, the Organization will record such disallowance at the time the final assessment is made.

Functional Allocation of Expense

Salaries and related expenses are allocated based on management's best estimate of time spent. Expenses, other than salaries and related expenses, which are not directly identifiable by program or support service, are allocated based on the best estimates of management.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Tax Exempt Status

The Organization has a tax exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible.

The Organization's tax returns are subject to review and examination by federal, state and local authorities. The tax returns for the years 2009-2011 are open to examination by federal, local, and state authorities.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 4, 2013, the date the financial statements were available to be issued.

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 2 PLEDGES RECEIVABLE

The Organization has received unconditional promises-to-give from certain foundations. The total balance outstanding on these unconditional promises-to-give was \$341,953 and \$178,624 as of December 31, 2012 and 2011, respectively.

At December 31, 2012, all pledges are considered current.

NOTE 3 CONCENTRATIONS

In the year ended December 31, 2012, approximately 61% of the Organization's contributions were contributed by three donors and approximately 83% of the Organization's program service fees (government grants and contracts and other contracts) were from three entities. In the eight month period ended December 31, 2011, approximately 64% of the Organization's contributions were contributed by two donors and approximately 82% of the Organization's program service fees (government grants and contracts and other contracts) were from one entity.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2012 and 2011:

	2012	2011
Property and Equipment:		
Computer Equipment	\$ 24,811	\$ 23,571
Furniture and Other Equipment	46,952	46,952
Leasehold Improvements	14,437	14,437
Total Property and Equipment	86,200	84,960
Less: Accumulated Depreciation	59,824	49,487
Property and Equipment, Net	<u>\$ 26,376</u>	<u>\$ 35,473</u>

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 5 OPERATING LEASES

The Organization entered into an operating lease agreement for office space beginning September 1, 2010. The lease has a 60-month term. The Organization leases office space in Worthington, Minnesota on a month-to-month basis. Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 46,807
2014	46,807
2015	31,205
Total Minimum Lease Payments	<u>\$ 124,819</u>

NOTE 6 CAPITAL LEASE

The Organization leases a copier under a capital lease. This leased copier is included in property and equipment. The following is a schedule by years of future minimum payments required under the lease together with their present value as of December 31, 2012:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 5,580
2014	5,580
2015	130
Total Minimum Lease Payments	11,290
Less: Amount Representing Interest	(574)
Present Value of Minimum Lease Payments	<u>\$ 10,716</u>

The related asset consists of the following at December 31:

	<u>2012</u>	<u>2011</u>
Equipment	\$ 20,000	\$ 20,000
Accumulated Depreciation	(7,667)	(3,667)
Net Book Value	<u>\$ 12,333</u>	<u>\$ 16,333</u>

Amortization of assets held under capital leases is included with depreciation expense.

IMMIGRANT LAW CENTER OF MINNESOTA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

NOTE 7 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted assets consist of the following at December 31, 2012 and 2011:

	2012	2011
Restricted to Purpose	\$ 565,466	\$ 212,506
Restricted to Time and Purpose	26,770	142,498
Total Restricted	<u>\$ 592,236</u>	<u>\$ 355,004</u>

Net Assets Released from Restrictions

The net assets released from restrictions during the year ended December 31, 2012 and the eight month period ended December 30, 2011 consisted of both donor restricted funds for the Organization's core programs or time restricted funds.

NOTE 8 IN-KIND CONTRIBUTIONS

The Organization records in-kind contributions at fair market value at the date of donation. Donated Services are valued at \$20 up to \$420 per hour as of December 31, 2012 and \$20 up to \$410 per hour as of December 30, 2011. In-kind contributions, included in contributions on the statement of activities and in the related expenses on the statement of functional expenses, consist of the following for the year ended December 31, 2012 and the eight month period ended December 31, 2011, respectively:

	2012	2011
Donated Goods	\$ 23,506	\$ -
Donated Services	547,720	292,380
Total	<u>\$ 571,226</u>	<u>\$ 292,380</u>

NOTE 9 SUMMARY OF BOARD DESIGNATED OPERATING RESERVES

The Board of Directors of ILCM defines Board Designated Operating Reserves as the portion of "unrestricted net assets" that are available for use at the discretion of the organization's board. The presence of a board designated operating reserve increases an organization's ability to absorb or respond to temporary changes in its environment or circumstances, for example, the unanticipated event of significant unbudgeted increases in operating expenses and/or losses in operating revenues.

ILCM maintains an Operating Reserve Policy that requires the board to set aside a portion of Available Unrestricted Assets at the end of each fiscal year to fund a Board Designated Operating Reserve. The policy also establishes a goal for the reserve of a minimum target balance of three months of operating costs (\$354,766) and a maximum target of six months of operating costs (\$709,532) based on the annual organizational budget.

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NOTE 9 SUMMARY OF BOARD DESIGNATED OPERATING RESERVES (CONTINUED)

Available Unrestricted Assets are defined as the portion of unrestricted net assets that are available for designation by the board for operating reserves or non-operational special purposes that further the mission of the organization.

Available Unrestricted Net Assets at December 31, 2012 are:

Total Unrestricted Net Assets	\$ 412,022
Less: Equity in Fixed Assets	<u>(26,376)</u>
Unrestricted Net Assets Available for Designation	<u><u>\$ 385,646</u></u>

Board Designated Amounts for:

Operating Reserve	\$ 354,766
Replacement of Fixed Assets	<u>30,880</u>
Total Designated Funds	<u><u>\$ 385,646</u></u>