

FINANCIAL STATEMENTS



**CATHOLIC LEGAL
IMMIGRATION
NETWORK, INC.**

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Catholic Legal Immigration Network, Inc.
Silver Spring, Maryland

We have audited the accompanying financial statements of the Catholic Legal Immigration Network, Inc. (CLINIC), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 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 auditor's 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 CLINIC as of December 31, 2019, 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.

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Report on Prior Year Comparative Statements

The financial statements of CLINIC for the year ended December 31, 2018 were audited by other auditors, whose report dated June 4, 2019, expressed an unmodified opinion on those statements.

Gelman Rosenberg & Freedman

June 12, 2020

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,577,711	\$ 475,013
Investments	12,856,533	11,499,117
Accounts receivable	146,896	57,534
Contributions receivable	707,984	1,545,372
Federal grants receivable	18,875	43,144
Prepaid expenses	<u>144,212</u>	<u>126,438</u>
Total current assets	15,452,211	13,746,618
PROPERTY AND EQUIPMENT		
Property and equipment, net	<u>206,996</u>	<u>279,578</u>
TOTAL ASSETS	<u>\$ 15,659,207</u>	<u>\$ 14,026,196</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 986,136	\$ 1,136,477
Deferred revenue	193,517	113,420
Deferred rent	<u>21,763</u>	<u>-</u>
Total current liabilities	1,201,416	1,249,897
NONCURRENT LIABILITIES		
Deferred rent, net of current portion	<u>115,333</u>	<u>175,144</u>
Total liabilities	<u>1,316,749</u>	<u>1,425,041</u>
NET ASSETS		
Without donor restrictions	11,489,761	10,179,588
Board designated	<u>1,141,917</u>	<u>710,567</u>
Total net assets without donor restrictions	12,631,678	10,890,155
With donor restrictions	<u>1,710,780</u>	<u>1,711,000</u>
Total net assets	<u>14,342,458</u>	<u>12,601,155</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,659,207</u>	<u>\$ 14,026,196</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
United States Conference of Catholic Bishops (USCCB) Support	\$ 1,946,587	\$ -	\$ 1,946,587
Religious contracts	1,222,234	-	1,222,234
Professional service fees	2,277,184	-	2,277,184
Training and seminars	761,862	-	761,862
Grants and contributions	1,435,137	1,248,100	2,683,237
Federal and state awards	335,965	-	335,965
Membership and other	406,350	-	406,350
Investment income (loss), net	1,440,264	-	1,440,264
In-kind contributions	320,570	-	320,570
Net assets released from donor restrictions	<u>1,248,320</u>	<u>(1,248,320)</u>	<u>-</u>
Total support and revenue	<u>11,394,473</u>	<u>(220)</u>	<u>11,394,253</u>
EXPENSES			
Program Services:			
Education and Network Growth	5,230,163	-	5,230,163
Direct Representation and Litigation	1,670,851	-	1,670,851
Advocacy and Community Engagement	<u>1,177,259</u>	<u>-</u>	<u>1,177,259</u>
Total program services	<u>8,078,273</u>	<u>-</u>	<u>8,078,273</u>
Supporting Services:			
Management and General	1,253,335	-	1,253,335
Fundraising and Development	<u>321,342</u>	<u>-</u>	<u>321,342</u>
Total supporting services	<u>1,574,677</u>	<u>-</u>	<u>1,574,677</u>
Total expenses	<u>9,652,950</u>	<u>-</u>	<u>9,652,950</u>
Changes in net assets	1,741,523	(220)	1,741,303
Net assets at beginning of year	<u>10,890,155</u>	<u>1,711,000</u>	<u>12,601,155</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,631,678</u>	<u>\$ 1,710,780</u>	<u>\$ 14,342,458</u>

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 2,485,667	\$ -	\$ 2,485,667
1,131,261	-	1,131,261
2,207,441	-	2,207,441
606,864	-	606,864
875,405	1,190,000	2,065,405
466,955	-	466,955
363,300	-	363,300
(136,405)	-	(136,405)
365,875	-	365,875
<u>1,721,220</u>	<u>(1,721,220)</u>	<u>-</u>
<u>10,087,583</u>	<u>(531,220)</u>	<u>9,556,363</u>
5,035,526	-	5,035,526
1,272,788	-	1,272,788
<u>1,220,248</u>	<u>-</u>	<u>1,220,248</u>
<u>7,528,562</u>	<u>-</u>	<u>7,528,562</u>
833,935	-	833,935
<u>382,665</u>	<u>-</u>	<u>382,665</u>
<u>1,216,600</u>	<u>-</u>	<u>1,216,600</u>
<u>8,745,162</u>	<u>-</u>	<u>8,745,162</u>
1,342,421	(531,220)	811,201
<u>9,547,734</u>	<u>2,242,220</u>	<u>11,789,954</u>
<u>\$ 10,890,155</u>	<u>\$ 1,711,000</u>	<u>\$ 12,601,155</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services			Supporting Services				Total Expenses
	Education and Network Growth	Direct Representation and Litigation	Advocacy and Community Engagement	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	
Salaries	\$ 2,195,431	\$ 886,945	\$ 694,137	\$ 3,776,513	\$ 685,164	\$ 139,769	\$ 824,933	\$ 4,601,446
Payroll taxes	167,951	67,851	53,102	288,904	53,508	10,692	64,200	353,104
Employee benefits	347,391	165,311	97,077	609,779	166,900	21,169	188,069	797,848
Total personnel cost	2,710,773	1,120,107	844,316	4,675,196	905,572	171,630	1,077,202	5,752,398
Audit and accounting	-	-	-	-	17,500	-	17,500	17,500
Bad debt	3,064	178	1,864	5,106	1,001	986	1,987	7,093
Bank charges and credit card fees	-	-	-	-	4,921	15	4,936	4,936
Building maintenance and other	1,695	1,660	637	3,992	736	118	854	4,846
Communication	41,741	5,466	8,874	56,081	5,169	965	6,134	62,215
Convening	98,573	20,582	43,926	163,081	20,611	21,306	41,917	204,998
Depreciation and amortization	18,012	9,006	18,012	45,030	18,012	9,006	27,018	72,048
Equipment rental and maintenance	33,859	11,229	10,692	55,780	6,462	3,593	10,055	65,835
Insurance	30,332	7,031	6,429	43,792	3,575	1,342	4,917	48,709
Licenses/practice related fees	16,444	6,765	1,789	24,998	1,341	3,559	4,900	29,898
Occupancy	90,924	79,867	64,784	235,575	84,304	22,949	107,253	342,828
Office supplies	12,603	23,986	4,013	40,602	6,103	3,592	9,695	50,297
Postage, shipping and freight	12,711	20,642	355	33,708	2,002	2,036	4,038	37,746
Printing and duplication	4,660	6,540	1,525	12,725	5,052	910	5,962	18,687
Professional services, temporary staff, and consultants	212,385	334,475	134,642	681,502	140,226	65,074	205,300	886,802
Program development and marketing	40,409	1,457	3,187	45,053	119	324	443	45,496
Reports and state filing fees	300	36	-	336	459	2,872	3,331	3,667
Staff development	26,016	9,722	4,945	40,683	24,954	6,390	31,344	72,027
Sub grants	1,630,885	-	-	1,630,885	-	-	-	1,630,885
Subscriptions, books and reference materials	32,068	1,746	17,223	51,037	605	773	1,378	52,415
Training and program materials	61,286	-	-	61,286	-	-	-	61,286
Travel	151,423	10,356	10,046	171,825	4,611	3,902	8,513	180,338
TOTAL	\$ 5,230,163	\$ 1,670,851	\$ 1,177,259	\$ 8,078,273	\$ 1,253,335	\$ 321,342	\$ 1,574,677	\$ 9,652,950

See accompanying notes to financial statements.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services			Supporting Services				Total Expenses
	Education and Network Growth	Direct Representation and Litigation	Advocacy and Community Engagement	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	
Salaries	\$ 2,055,716	\$ 787,293	\$ 687,782	\$ 3,530,791	\$ 470,562	\$ 208,504	\$ 679,066	\$ 4,209,857
Payroll taxes	157,468	60,375	52,750	270,593	35,138	15,770	50,908	321,501
Employee benefits	349,258	141,236	101,128	591,622	77,681	44,693	122,374	713,996
Total personnel cost	2,562,442	988,904	841,660	4,393,006	583,381	268,967	852,348	5,245,354
Audit and accounting	-	-	-	-	16,750	-	16,750	16,750
Bank charges and credit card fees	-	-	-	-	3,335	17	3,352	3,352
Building maintenance and other	5,546	1,957	1,114	8,617	692	432	1,124	9,741
Communication	36,503	10,148	10,329	56,980	8,580	1,542	10,122	67,102
Convening	91,411	29,715	53,273	174,399	26,501	27,956	54,457	228,856
Depreciation and amortization	21,942	9,771	17,381	49,094	10,352	8,492	18,844	67,938
Equipment rental and maintenance	31,924	11,186	16,506	59,616	14,961	4,130	19,091	78,707
Insurance	17,868	7,859	5,648	31,375	3,018	1,835	4,853	36,228
Licenses/practice related fees	15,658	7,103	3,699	26,460	801	3,109	3,910	30,370
Occupancy	116,827	70,017	62,124	248,968	48,682	23,839	72,521	321,489
Office supplies	10,664	15,516	6,015	32,195	4,735	2,878	7,613	39,808
Postage, shipping and freight	8,586	18,639	153	27,378	1,320	3,130	4,450	31,828
Printing and duplication	6,204	6,013	1,877	14,094	1,802	1,112	2,914	17,008
Professional services, temporary staff, and consultants	468,112	64,746	139,295	672,153	53,087	12,038	65,125	737,278
Program development and marketing	24,040	2,954	31,544	58,538	7,000	879	7,879	66,417
Reports and state filing fees	16	3	-	19	143	2,327	2,470	2,489
Staff development	31,235	8,634	6,359	46,228	21,110	5,272	26,382	72,610
Sub grants	1,460,985	-	-	1,460,985	-	-	-	1,460,985
Subscriptions, books and reference materials	13,581	3,305	8,992	25,878	1,307	1,944	3,251	29,129
Training and program materials	17,899	2,637	149	20,685	640	-	640	21,325
Travel	94,083	13,681	14,130	121,894	25,738	12,766	38,504	160,398
TOTAL	\$ 5,035,526	\$ 1,272,788	\$ 1,220,248	\$ 7,528,562	\$ 833,935	\$ 382,665	\$ 1,216,600	\$ 8,745,162

See accompanying notes to financial statements.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,741,303	\$ 811,201
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	72,048	67,938
Net (appreciation) depreciation in fair value of investments	(1,278,336)	265,295
Loss on disposal of property and equipment	534	-
(Increase) decrease in:		
Accounts receivable	(89,362)	80,770
Contributions receivable	837,388	67,590
Federal grants receivable	24,269	23,308
Prepaid expenses	(17,774)	(22,675)
(Decrease) increase in:		
Accounts payable and accrued liabilities	(150,341)	510,839
Deferred revenue	80,097	(24,968)
Deferred rent	(38,048)	(38,048)
Net cash provided by operating activities	<u>1,181,778</u>	<u>1,741,250</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchases of investments	(287,340)	(2,129,506)
Proceeds from sale of investments	208,260	66,204
Purchases of property and equipment	<u>-</u>	<u>(103,179)</u>
Net cash used by investing activities	<u>(79,080)</u>	<u>(2,166,481)</u>
Net increase (decrease) in cash and cash equivalents	1,102,698	(425,231)
Cash and cash equivalents at beginning of year	<u>475,013</u>	<u>900,244</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,577,711</u>	<u>\$ 475,013</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Catholic Legal Immigration Network, Inc. (CLINIC) is a public interest legal organization incorporated on August 18, 1988 in the District of Columbia. CLINIC serves low income immigrants through support to a national network of catholic and community-based legal immigration programs, and administration of national projects. In addition, CLINIC provides representation in the area of religious immigration law.

CLINIC is governed by a board comprised primarily of bishops. CLINIC is funded by the United States Conference of Catholic Bishops (USCCB) and other grants and contributions.

CLINIC operates three major programs, Education and Network Growth, Direct Representation, and Advocacy and Community Engagement.

Education and Network Growth: This program was established to guide nonprofit organization leaders to begin or expand charitable immigration legal services, equip nonprofit immigration legal representatives with training on immigration law and program management skills, and manage projects serving vulnerable immigrants delivered by local nonprofit organizations benefiting from CLINIC's structure and oversight.

Direct Representation and Litigation: This program consists of legal services provided to clients before the United States Citizenship and Immigration Services, Immigration Court; the Board of Immigration Appeals, and in Federal court.

Advocacy and Community Engagement: This program educates the public on immigration issues, engages government on immigration, individual, and policy related matters, and promote positive resolutions.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions (continued)** - Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

New accounting pronouncements adopted -

During 2019, CLINIC early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way CLINIC recognized revenue; however, the presentation and disclosures of revenue have been enhanced. CLINIC has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, CLINIC adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. CLINIC adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

CLINIC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, CLINIC maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, realized and unrealized gains and losses are included in investment income, which is presented net of investment expenses paid to external investment advisors in the accompanying Statements of Activities and Changes in Net Assets.

Investments consist of money market funds, certificates of deposit with an initial maturity of greater than three months and mutual funds owned through a master trust investment agreement (pooled investments). Purchases and sales through the master trust investment agreement are shown net in the accompanying Statements of Cash Flows. The pooled investments are managed by independent investment managers and securities are held in safekeeping by a bank custodian. The investment portfolios and income are separately reported by the custodian bank and amounts owned by USCCB are not reported in these financial statements.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Contributions and Federal grants receivable -

Contributions and Federal grants receivable are recorded at their net realizable value, which approximates fair value. Unconditional contributions that have not been collected as of year-end are recorded as contributions receivable. Federal grants receivable are stated at the amount that management expects to collect from outstanding balances for services provided under Federal awards. Management believes that the unconditional promises to give and Federal grants receivable are fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to ten years. Leasehold improvements are amortized over the shorter of the remaining life of the lease or useful life of the asset. The cost of maintenance and repairs is recorded as expenses as incurred. Depreciation and amortization expense for the years ended December 31, 2019 and 2018 totaled \$72,048 and \$67,938, respectively.

Income taxes -

CLINIC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. CLINIC is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2019 and 2018, CLINIC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Revenue -

CLINIC receives contributions as well as contracts and grants with the U.S. and state governments, the United States Conference of Catholic Bishops (USCCB) and other organizations. Contributions and grants are recognized in the appropriate category of net assets in the period received. CLINIC performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal.

For contributions and grants and contracts qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Revenue (continued) -

Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants and contracts qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grant and contract agreements qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. Most grants and contract awards from the United States Government and other entities are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent. As such, CLINIC recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants and contracts treated as contributions, CLINIC had approximately \$117,792 in unrecognized conditional awards as of December 31, 2019.

Grants and contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Federal grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

Membership dues includes general member benefits that are a series of distinct obligations. The revenue is recognized ratably over the membership period. There are several benefits received that are individual distinct obligations; however, they are immaterial in nature to the contract and thus are included with the general member benefits.

Trainings and seminars revenue is recorded as revenue when the performance obligation is met which is when the related training/seminar has occurred. Professional service fees revenue is recorded as revenue when the performance obligation is met which is when the related service has been provided. The transaction price is determined based on cost and/or sales price.

Revenue received in advance for membership, trainings, seminars, and professional service fees are recorded as deferred revenue within the Statements of Financial Position. Deferred revenue consisted of the following as of December 31, 2019 and 2018:

	2019	2018
Professional service fees	\$ 98,858	\$ -
Trainings and seminars	90,659	107,420
Membership	4,000	6,000
TOTAL DEFERRED REVENUE	\$ 193,517	\$ 113,420

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

In-kind contributions -

In-kind contributions consist of donated legal services and advertising services. In-kind contributions are recorded at their fair value as of the date of the donation.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, salaries and benefits, and other general organization costs which are allocated on the basis of time worked, and rent and building maintenance expenses which are allocated on the basis of square footage of space occupied by each employee based on the program or general department to which the employee is assigned.

Risks and uncertainties -

CLINIC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market 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 investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

CLINIC adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. CLINIC accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

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NOTES TO FINANCIAL STATEMENTS
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1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

New accounting pronouncement (not yet adopted) (continued) -

CLINIC plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. **INVESTMENTS**

In accordance with FASB ASC 820, *Fair Value Measurement*, CLINIC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, 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 hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market CLINIC has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2019 and 2018. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money market funds* - The money market fund is an open-end fund that is registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by CLINIC are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by CLINIC are deemed to be actively traded.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

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2. INVESTMENTS (Continued)

- *Pooled investments* - Funds invested with third party investment managers through a master trust investment arrangement. The underlying securities of these pooled investment funds classified as level 1 in the fair value hierarchy are valued based on quoted market prices. Those pooled investment funds classified as level 2 in the fair market value hierarchy hold underlying investments including other pooled investment accounts and common trust funds are valued based on CLINIC's pro-rata share of the fund.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy at December 31, 2019.

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 661,892	\$ -	\$ -	\$ 661,892
Mutual funds	9,893	-	-	9,893
Certificates of deposit	-	4,354,359	-	4,354,359
Pooled investment funds:				
USCCB State Street Index	2,133,368	-	-	2,133,368
USCCB Met West Mgt	1,428,762	-	-	1,428,762
USCCB SSGA Bond Index Fund	-	1,482,304	-	1,482,304
USCCB Champlain Inv. Partners	-	1,417,141	-	1,417,141
CLINIC CBIS Foreign Equity	<u>1,368,814</u>	<u>-</u>	<u>-</u>	<u>1,368,814</u>
TOTAL	<u>\$ 5,602,729</u>	<u>\$ 7,253,804</u>	<u>\$ -</u>	<u>\$ 12,856,533</u>

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy at December 31, 2018:

Asset Class:	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,589,957	\$ -	\$ -	\$ 1,589,957
Mutual funds	2,298	-	-	2,298
Certificates of deposit	-	3,316,211	-	3,316,211
Pooled investment funds:				
USCCB State Street Index	1,648,045	-	-	1,648,045
USCCB Met West Mgt	1,355,325	-	-	1,355,325
USCCB SSGA Bond Index Fund	-	1,376,986	-	1,376,986
USCCB Champlain Inv. Partners	-	1,125,147	-	1,125,147
CLINIC CBIS Foreign Equity	<u>1,085,148</u>	<u>-</u>	<u>-</u>	<u>1,085,148</u>
TOTAL	<u>\$ 5,680,773</u>	<u>\$ 5,818,344</u>	<u>\$ -</u>	<u>\$ 11,499,117</u>

Included in investment income (loss) are the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 177,543	\$ 129,628
Net appreciation (depreciation) in fair value	1,278,336	(265,295)
Investment expenses provided by external investment advisors	<u>(15,615)</u>	<u>(738)</u>
TOTAL INVESTMENT INCOME (LOSS), NET OF INVESTMENT EXPENSES	<u>\$ 1,440,264</u>	<u>\$ (136,405)</u>

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3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Furniture and equipment	\$ 343,586	\$ 344,120
Leasehold improvements	<u>352,301</u>	<u>352,301</u>
Total property and equipment	695,887	696,421
Less: Accumulated depreciation and amortization	<u>(488,891)</u>	<u>(416,843)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 206,996</u>	<u>\$ 279,578</u>

4. BOARD DESIGNATED NET ASSETS

As of December 31, 2019 and 2018, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

	2019	2018
Endowment	\$ 1,121,628	\$ 702,881
Lily Gutierrez Fund	<u>20,289</u>	<u>7,686</u>
BOARD DESIGNATED NET ASSETS	<u>\$ 1,141,917</u>	<u>\$ 710,567</u>

5. ENDOWMENT

CLINIC's endowment consists of funds designated by the governing Board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Since the endowment was established internally by the Board of Directors and is not donor restricted, it is classified and reported as net assets without donor restrictions. Endowment net asset composition by type of fund as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	<u>\$ 1,121,628</u>	<u>\$ -</u>	<u>\$ 1,121,628</u>

Changes in endowment net assets for the year ended December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ <u>702,881</u>	\$ <u>-</u>	\$ <u>702,881</u>
Investment return:			
Interest and dividends	32,653	-	32,653
Net appreciation in fair value of investments	<u>418,747</u>	<u>-</u>	<u>418,747</u>
Total investment return	451,400	-	451,400
Appropriation of endowment assets for expenditure	<u>(32,653)</u>	<u>-</u>	<u>(32,653)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 1,121,628</u>	<u>\$ -</u>	<u>\$ 1,121,628</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

5. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board Designated Endowment Funds	\$ <u>702,881</u>	<u>-</u>	\$ <u>702,881</u>

Changes in endowment net assets for the year ended of December 31, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ <u>788,498</u>	\$ <u>-</u>	\$ <u>788,498</u>
Investment return:			
Interest and dividends	29,916	-	29,916
Net depreciation in fair value of investments	<u>(85,617)</u>	<u>-</u>	<u>(85,617)</u>
Total investment return	(55,701)	-	(55,701)
Appropriation of endowment assets for expenditure	<u>(29,916)</u>	<u>-</u>	<u>(29,916)</u>
ENDOWMENT NET ASSETS, END OF YEAR	\$ <u>702,881</u>	\$ <u>-</u>	\$ <u>702,881</u>

Return Objectives and Risk Parameters -

CLINIC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the market while assuming a moderate level of risk.

Strategies Employed for Achieving Objectives -

To satisfy its long-term objectives, CLINIC 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). CLINIC targets a diversified asset allocation that provides reasonable and predictable funds for CLINIC's program purposes and to maintain a balance between spending and the protection of the principal.

Spending Policy -

CLINIC has a goal of protecting the principal investment of the funds supporting its endowment. CLINIC is continuing to build its endowment through the appreciation of its investments. Interest and dividends are expended by CLINIC for operations.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
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6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2019 and 2018:

	2019	2018
Subject to expenditure for specified purpose:		
Education and Network Growth	\$ 554,106	\$ 1,007,165
Advocacy and Community Engagement	-	103,835
Donor restricted for emergency situations	500,000	500,000
	1,054,106	1,611,000
Subject to passage of time	656,674	100,000
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$ 1,710,780	\$ 1,711,000

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

	2019	2018
Purpose restrictions accomplished:		
Education and Network Growth	\$ 826,159	\$ 347,435
Direct Representation and Litigation	-	123,789
Advocacy and Community Engagement	103,835	-
Timing restrictions accomplished	318,326	1,249,996
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ 1,248,320	\$ 1,721,220

7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

	2019	2018
Cash and cash equivalents	\$ 1,577,711	\$ 475,013
Investments	12,856,533	11,499,117
Accounts receivable	146,896	57,534
Contributions receivable	707,984	1,545,372
Federal grants receivable	18,875	43,144
Subtotal financial assets available within one year	15,307,999	13,620,180
Less: Donor restricted funds, net of time restricted funds which will become available in the next 12 months	(1,054,106)	(1,711,000)
Less: Board designated funds	(1,141,917)	(710,567)
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	\$ 13,111,976	\$ 11,198,613

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
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7. LIQUIDITY AND AVAILABILITY (Continued)

CLINIC's management regularly monitors liquidity requirements to ensure that on-going operating needs and other contractual commitments are met. CLINIC has developed and adheres to a board approved Investment Policy Statement. The goal is to maintain adequate liquidity while maximizing investment income and preserving capital. To achieve this goal, assets have been diversified to provide low to moderate risk tolerance and are regularly monitored and rebalanced when necessary.

The services of an independent investment advisor are utilized for matters regarding the performance and appropriateness of financial asset classes, the selection of specific investments to compare each asset class, and recommendations for changes to overall investment strategy and policy.

A balanced budget approach for 2019 and 2020 has been adopted which anticipates that annual revenue levels will cover general operating expenditures. Timing of revenue receipts also ensures the availability of necessary operational funds.

8. LEASE COMMITMENTS

CLINIC leases office space under a ten-year agreement, which originated in August 2013. The office lease includes two five-year options to renew at the lease termination date. The agreement includes tenant allowances for improvements, escalation clauses, and charges for other costs related to the leased space.

CLINIC also leases space in Oakland, California under a lease agreement which was entered into in January 2013. The original lease period was March 1, 2013 through May 31, 2018. On April 1, 2018, this lease was renewed for an additional five years and will terminate on May 31, 2023. The agreement contains rent abatements, escalation clauses, and charges for other costs related to the leased space.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statements of Financial Position.

As of December 31, 2019 and 2018, the deferred rent liability totaled \$137,096 and \$175,144, respectively.

The following is a schedule of the future minimum lease payments:

Year Ending December 31,

2020	\$ 381,009
2021	395,705
2022	410,971
2023	<u>235,082</u>
	<u>\$ 1,422,767</u>

Rent expense was \$342,828 and \$321,489 for the years ended December 31, 2019 and 2018, respectively.

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**NOTES TO FINANCIAL STATEMENTS
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9. RETIREMENT PLAN

In 2010, CLINIC established the Catholic Legal Immigration Network, Inc. 403(b) Plan (the 403(b) Plan). Prior to January 1, 2015, CLINIC matched 100% of employee contributions up to \$1,500 per year for participating employees hired prior to January 1, 2008. All employees hired on or after January 1, 2008, received a 200% employer match, up to \$3,000 per year. In 2014, the CLINIC board approved an amendment to the 403(b) Plan to allow all CLINIC staff to become eligible to receive a two-to-one match of their 403(b) contributions up to \$3,000 after one year of employment. This change was effective as of January 1, 2015. Annual 403(b) Plan expense for the years ended December 31, 2019 and 2018, totaled \$131,684 and \$125,499, respectively.

CLINIC is a participating employer in a multiemployer defined benefit pension plan (the Plan), including USCCB, pursuant to the Plan document. The Plan covers full-time employees of CLINIC hired prior to January 1, 2008, over the age of 25, and who have completed one year of employment. The Plan does not require a minimum contribution by participating employers. Trustees of the Plan resolved to freeze the Plan effective December 31, 2013.

The following table summarized the information regarding the Plan as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Plan Assets at Fair Value	\$ 67,189,736	\$ 58,179,050
Projected Benefit Obligation	\$100,756,321	\$ 92,461,531
Expected Contributions from All Employers	\$ 1,009,877	\$ 1,556,961

The risks of participating in a multiemployer defined benefit pension plan is different from a single-employer plan because: (a) assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers, (b) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be required to be borne by the remaining participating employers, and (c) if CLINIC chooses to stop participating in the multiemployer plan, it may be required to pay a withdrawal liability to the plan. In connection with ongoing renegotiation of collective bargaining agreements, CLINIC may discuss and negotiate for the complete or partial withdrawal of the multiemployer pension plan. Depending on the number of employees withdrawn in any future period and the financial condition of the multiemployer plan at the time of withdrawal, the associated withdrawal liabilities could be material to CLINIC's change in net assets in the period of the withdrawal. CLINIC has no plans to withdraw from its multiemployer pension plan.

10. SUBSEQUENT EVENTS

In preparing these financial statements, CLINIC has evaluated events and transactions for potential recognition or disclosure through June 12, 2020, the date the financial statements were issued.

On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact CLINIC's operations. The overall impact is unknown at this time.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
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10. SUBSEQUENT EVENTS (Continued)

On April 18, 2020, CLINIC entered into a two-year promissory note agreement in the amount of \$1,078,700 with a 1% fixed interest rate under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note beginning in November 2020, unless otherwise forgiven. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.