

**CATHOLIC LEGAL IMMIGRATION
NETWORK, INC.**

AUDITED FINANCIAL STATEMENTS

December 31, 2012

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
AUDITED FINANCIAL STATEMENTS
December 31, 2012

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To the Board of Directors of
Catholic Legal Immigration Network, Inc.
Washington, DC

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Legal Immigration Network, Inc. (the CLINIC) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Catholic Legal Immigration Network, Inc. as of December 31, 2012, 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.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2013 on our consideration of the CLINIC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CLINIC's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the CLINIC's 2011 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 4, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Drolet + Associates, P.L.L.C.

Washington, DC
May 31, 2013

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012
(With Summarized Financial Information for December 31, 2011)

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,565,973	\$ 921,352
Accounts receivable (net of allowance for doubtful accounts of \$10,400 for 2012 and 2011)	28,066	489,486
Contributions receivable	436,145	291,423
Federal grants receivable	81,866	130,655
Prepaid expenses and other current assets	55,362	181,764
Certificates of deposit	1,615,149	1,448,078
TOTAL CURRENT ASSETS	3,782,561	3,462,758
INVESTMENTS	1,602,381	1,500,688
FIXED ASSETS, net	13,114	14,154
DEPOSITS	3,144	3,144
TOTAL ASSETS	\$ 5,401,200	\$ 4,980,744
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 338,513	\$ 626,258
Accrued expenses	453,178	391,007
Deferred revenue	397,129	325,790
Deferred rent and lease incentive	16,380	21,059
TOTAL CURRENT LIABILITIES	1,205,200	1,364,114
DEFERRED RENT AND LEASE INCENTIVE, net of current portion	-0-	16,380
TOTAL LIABILITIES	1,205,200	1,380,494
NET ASSETS		
Unrestricted	2,469,697	2,169,911
Unrestricted - Board designated	558,532	508,705
Total unrestricted	3,028,229	2,678,616
Temporarily restricted	1,167,771	921,634
TOTAL NET ASSETS	4,196,000	3,600,250
TOTAL LIABILITIES AND NET ASSETS	\$ 5,401,200	\$ 4,980,744

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Unrestricted	Temporarily Restricted	2012 Total	2011 Total
REVENUE, GRANTS, AND OTHER SUPPORT				
United States Conference of Catholic Bishops support	\$ 2,203,052		\$ 2,203,052	\$ 2,027,682
Professional services fees	20,491		20,491	21,461
Religious contract revenues	801,937		801,937	818,598
Federal awards	646,456		646,456	737,937
Other grants and contributions	410,024	\$ 456,459	866,483	772,285
Investment income	189,366		189,366	36,276
Training and seminars	2,710,933		2,710,933	2,625,577
Membership and other	316,030		316,030	292,591
Net assets released from restrictions	210,322	(210,322)	-0-	-0-
TOTAL REVENUE, GRANTS, AND OTHER SUPPORT	7,508,611	246,137	7,754,748	7,332,407
EXPENSES				
PROGRAM EXPENSES				
Direct representation	3,981,713		3,981,713	3,721,684
Emergency population representation	-0-		-0-	14,923
Diocesan support	2,120,770		2,120,770	2,438,754
TOTAL PROGRAM EXPENSES	6,102,483	-0-	6,102,483	6,175,361
SUPPORTING SERVICES				
Fundraising and development	370,546		370,546	363,331
Management and general	685,969		685,969	559,322
TOTAL SUPPORTING SERVICES	1,056,515	-0-	1,056,515	922,653
TOTAL EXPENSES	7,158,998	-0-	7,158,998	7,098,014
CHANGE IN NET ASSETS	349,613	246,137	595,750	234,393
NET ASSETS, BEGINNING OF YEAR	2,678,616	921,634	3,600,250	3,365,857
NET ASSETS, END OF YEAR	\$ 3,028,229	\$ 1,167,771	\$ 4,196,000	\$ 3,600,250

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	Direct Representation	Diocesan Support	Fundraising and Development	Management and General	2012 Total	2011 Total
Salaries and wages	\$1,208,778	\$976,316	\$208,895	\$338,168	\$2,732,157	\$ 3,040,512
Fringe benefits	399,932	323,021	69,114	111,886	903,953	883,154
Staff travel	51,172	62,512	4,311	13,354	131,349	144,931
Convening	49	123,897			123,946	91,848
Bank charges and credit card fees	330	1,040	154	6,257	7,781	7,614
Office supplies	19,286	8,933	3,725	5,566	37,510	49,515
Equipment rental and maintenance	22,571	28,295	4,422	10,989	66,277	61,358
Staff development	8,987	7,275	1,480	9,148	26,890	21,412
Occupancy	118,123	95,407	20,413	33,046	266,989	279,079
Professional services, temporary staff, and consultants	161,706	70,735	34,036	135,350	401,827	309,259
Program management	1,910,182	308,465	11,079	429	2,230,155	1,956,479
Subscription and reference books	25,519	43,369	1,172		70,060	66,194
Licenses and fees	4,990	5,528	1,045	765	12,328	16,504
Communication charges	13,761	38,169	2,462	5,938	60,330	78,597
Insurance	10,879	16,117	1,859	2,381	31,236	34,465
Postage, shipping, and freight	17,524	2,453	2,268	1,831	24,076	31,654
Printing and duplication	6,192	5,405	2,942	8,619	23,158	14,214
Depreciation and amortization expense	1,290	3,783	1,015	2,085	8,173	7,103
Miscellaneous	442	50	154	157	803	4,122
Total expense	\$3,981,713	\$2,120,770	\$370,546	\$685,969	\$7,158,998	\$ 7,098,014

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2012
(With Summarized Financial Information for the Year Ended December 31, 2011)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 595,750	\$ 234,393
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,173	7,103
Gain on investments	154,610	(2,515)
Decrease (increase) in accounts receivable	461,420	(182,768)
Increase in contributions receivable	(144,722)	(132,408)
Decrease in Federal grants receivable	48,789	32,273
Decrease (increase) in prepaid expenses and other current assets	126,402	(83,890)
Decrease in deposits	-0-	1,560
(Decrease) increase in accounts payable	(287,745)	178,973
Increase (decrease) in accrued expenses	62,171	(36,501)
Increase in deferred revenue	71,339	307,982
Decrease in deferred rent and lease incentive	(21,059)	(11,125)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,075,128	313,077
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposit	(2,066,000)	(1,452,000)
Proceeds from the sales of certificates of deposit	1,898,929	1,857,262
Net (purchases) sales of investments	(256,303)	(497,843)
Purchases of fixed assets	(7,133)	-0-
NET CASH USED IN INVESTING ACTIVITIES	(430,507)	(92,581)
NET INCREASE IN CASH AND CASH EQUIVALENTS	644,621	220,496
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	921,352	700,856
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,565,973	\$ 921,352

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Catholic Legal Immigration Network, Inc. (CLINIC) is a public interest legal organization incorporated on August 18, 1988 in the District of Columbia. The CLINIC serves low-income immigrants through support to a national network of Catholic legal immigration programs, administration of national projects and management of local diocesan immigration programs.

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

The CLINIC operates within three major program areas consisting of Direct Representation, Emergency Population Representation, and Diocesan Support. Direct Representation consists of legal services provided to clients before the Immigration and Naturalization Service, Immigration Court, the Board of Immigration Appeals, and in Federal court. Emergency Population Representation covers the CLINIC's direct representation and advocacy on behalf of detained immigrants and other at-risk populations. Diocesan Support includes training, legal support, and mentoring of member agencies.

Income Taxes The CLINIC is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code (the Code). In addition, the CLINIC has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509 (a) of the Code. No provision for income tax is required for the years ended December 31, 2012 and 2011, as the CLINIC had no net unrelated business income.

CLINIC requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to tax positions taken in a tax return. The CLINIC does not believe its financial statements include, or reflect, any uncertain tax positions.

The CLINIC's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities generally for three years after filing.

Cash and Cash Equivalents The CLINIC considers all highly liquid short-term investments which have an original maturity of three months or less to be cash equivalents

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fixed Assets The CLINIC capitalizes all fixed asset acquisitions of \$5,000 and above. Fixed assets are recorded at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from three to seven years. Leasehold improvements are amortized over the shorter of the lease term or useful life of the asset.

Accounts and Federal Grants Receivable Accounts and Federal grants receivable are stated at the amount management expects to collect from the outstanding balances. An allowance for doubtful accounts has been established to provide for potentially uncollectible amounts. Management estimates the allowance for doubtful accounts based on historical experience updated for current economic conditions. If actual experience changes, revisions to the allowance may be necessary. It is the CLINIC's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Contributions Receivable Unconditional promises to give that have not been collected as of year-end are recorded as contributions receivable. Uncollectible promises to give are expected to be insignificant and accordingly, no allowance for uncollectible contributions receivable has been recorded.

Certificates of Deposit Certificates of deposit are recorded at fair market value.

Investments The CLINIC is a participant in a master trust investment arrangement; therefore, purchases and sales are shown as net in the statement 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 also include assets of USCCB and Catholic Relief Services (CRS); however, proportional ownership of these portfolios and income is separately reported by the custodian bank and amounts owned by USCCB and CRS are not reported in these financial statements.

Investments are recorded at fair market value.

Federal Awards Revenue from Federal awards is recognized on a cost reimbursement basis to the extent of allowable costs.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Revenue

Recognition Revenue for other program services is recognized when the services have been performed.

**Recognition of
Grants and
Contributions**

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Restricted contributions for which the restrictions are met in the year received are considered unrestricted for financial statement purposes. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a 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.

**Donated
Services**

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the CLINIC.

**Functional
Allocation of
Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Use of
Estimates**

Management uses estimates in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 assumed in preparing the financial statements.

**Deferred
Rent and Lease
Incentive**

The CLINIC records rent expense, including incentives, on the straight-line basis over the term of the lease.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

**Prior Year
Information**

The financial statements include certain prior year summarized comparative totals as of and for the year ended December 31, 2011. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended December 31, 2011, from which the summarized information was derived.

Reclassifications Certain 2011 amounts have been reclassified for comparative purposes.

NOTE B – CONCENTRATIONS

Two donors represent approximately 50% of contributions receivable as of December 31, 2012. Two donors represented approximately 93% of contributions receivable as of December 31, 2011. One donor contributed approximately 29% of other grants and contributions for the year ended December 31, 2012. Two donors contributed approximately 60% of other grants and contributions for the year ended December 31, 2011.

Two nonprofit organizations provided 90% of the training and seminars revenue for 2012. One nonprofit organization provided 82% of the training and seminars revenue for 2011. In addition, one nonprofit organization represented 92% of the 2011 accounts receivable.

The CLINIC maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). The CLINIC also maintains accounts with two brokerage firms. The accounts contain cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation (SIPC). At times during the year, the CLINIC's balances exceeded the FDIC and SIPC insurance amounts. Management believes the risk in these situations to be minimal.

NOTE C – CONTINGENT LIABILITIES

The CLINIC receives financial assistance and awards from government agencies. Expenditures of funds under these programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the CLINIC. Management is of the opinion that such adjustments, if any, are not expected to materially affect the financial position of the CLINIC.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE D – FIXED ASSETS

The CLINIC held the following fixed assets as of December 31, 2012 and 2011:

Description	2012	2011
Furniture and equipment	\$ 70,623	\$ 63,490
Leasehold improvements	35,515	35,515
Accumulated depreciation and amortization	(93,024)	(84,851)
Fixed assets, net	\$ 13,114	\$ 14,154

NOTE E - INVESTMENTS

Investments at December 31, 2012 and 2011 consisted of the following pooled investment funds:

Description	2012	2011
USCCB Met West Mgt	\$ 251,137	\$ 252,387
USCCB State Street Index	516,101	464,624
SSGA Bond Index Fund	280,895	273,380
USCCB Inv Counselors MD	370,238	356,529
CLINIC CBIS Foreign Equity	184,010	153,768
Total investments	\$ 1,602,381	\$ 1,500,688

Investment income for the years ended December 31, 2012 and 2011 is summarized as follows:

Description	2012	2011
Interest and dividend income	\$ 34,756	\$ 33,761
Net gain on investments	154,610	2,515
Total investment income	\$ 189,366	\$ 36,276

NOTE F – EMPLOYEE BENEFIT PLANS

In 1996, the CLINIC established a salary reduction plan (Annuity Plan) under Section 403(b) of the Internal Revenue Code. The CLINIC matches employee contributions dollar for dollar up to a maximum of \$1,500 per year for participating employees hired prior to January 1, 2008. All employees hired on or after January 1, 2008 receive a dollar for dollar match up to \$3,000. Annuity Plan expense for the years ended December 31, 2012 and 2011 was approximately \$66,000 and \$60,000, respectively.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE F – EMPLOYEE BENEFIT PLANS (Continued)

The CLINIC’s employees, hired prior to January 1, 2008, participate in a multi-employer, noncontributory defined benefit pension plan (the Plan) administered by the United States Conference of Catholic Bishops. The Plan covers full-time employees over the age of 25 who have completed one year of employment with the CLINIC. The benefits are based on years of service and final average pay. Pension expense for the years ended December 31, 2012 and 2011 was approximately \$251,000 and \$176,000, respectively. Information regarding assets and actuarial liabilities of the Plan is not available at the individual employer level. Effective December 31, 2013, the Plan will be frozen. The financial impact to the CLINIC has not been determined.

NOTE G – BOARD DESIGNATED NET ASSETS

Board designated net assets were available for the following purposes at December 31, 2012 and 2011:

Description	2012	2011
Endowment	\$ 551,570	\$ 500,688
Lily Gutierrez Fund	6,962	8,017
Total	\$ 558,532	\$ 508,705

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31, 2012 and 2011:

Description	2012	2011
Naturalization, legal representation, and advocacy	\$ 337,721	\$ 171,626
Legal research and program implementation	156,419	242,008
Immigration law training and manuals	48,631	8,000
Donor restricted for emergency situations	500,000	500,000
Restriction for subsequent period	125,000	-0-
Total	\$ 1,167,771	\$ 921,634

Net assets were released from donor restrictions during 2012 and 2011 as follows:

Description	2012	2011
Naturalization, legal representation, and advocacy	\$ 52,624	\$ 220,565
Legal research and program implementation	149,698	15,000
Immigration law training and manuals	8,000	14,797
Timing releases	-0-	102,500
Total	\$ 210,322	\$ 352,862

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE I – OPERATING LEASES

The CLINIC leases office space and copier equipment for the national office and a regional office under various operating lease agreements over terms that expire through 2018. The office space leases include options to renew for an additional one to five year lease term. In the normal course of business, operating leases are generally renewed or replaced by other leases. Rent expense was approximately \$288,000 and \$303,000 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2012 are:

For the Years Ending December 31,	Amount
2013	\$ 35,693
2014	50,757
2015	51,815
2016	47,764
2017	38,573
2018	16,270
Total future minimum lease payments	\$ 240,872

NOTE J – DONATED SERVICES

The approximate value of donated services included in management and general expenses in the financial statements for the years ended December 31, 2012 and 2011 are as follows:

Description	2012	2011
Professional services, temporary staff, and consultants	\$ 45,000	\$ 21,800
Total expenses	\$ 45,000	\$ 21,800

Contributions of donated services of approximately \$45,000 and \$21,800 are included in other grants and contributions for the years ended December 31, 2012 and 2011, respectively.

NOTE K – FAIR VALUE MEASUREMENTS

FASB *Accounting Standards Codification 820, Fair Value Measurements and Disclosures* (ASC 820) defines fair value, establishes a frame work for measuring fair value, and expands disclosures about fair value measurements. 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach, as specified by ASC820, are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE K – FAIR VALUE MEASUREMENTS (Continued)

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include equity securities);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs to the determination of fair value require significant management judgment (examples include certain private equity securities and split interest agreements).

An investment's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following presents certificates of deposit and investments carried at fair value as of December 31, 2012 and 2011 by ASC 820 valuation hierarchy (as described above):

December 31, 2012	Fair Value	(Level 1)	(Level 2)	(Level 3)
Certificates of deposit	\$ 1,615,149		\$ 1,615,149	
Investments:				
USCCB Met West Mgt	251,137		251,137	
USCCB State Street Index	516,101		516,101	
SSGA Bond Index Fund	280,895		280,895	
USCCB Inv Counselors MD	370,238		370,238	
CLINIC CBIS Foreign Equity	184,010		184,010	
Total	\$ 3,217,530	\$ -0-	\$ 3,217,530	\$ -0-
December 31, 2011	Fair Value	(Level 1)	(Level 2)	(Level 3)
Certificates of deposit	\$ 1,448,078		\$ 1,448,078	
Investments:				
USCCB Met West Mgt	252,387		252,387	
USCCB State Street Index	464,624		464,624	
SSGA Bond Index Fund	273,380		273,380	
USCCB Inv Counselors MD	356,529		356,529	
CLINIC CBIS Foreign Equity	153,768		153,768	
Total	\$ 2,948,766	\$ -0-	\$ 2,948,766	\$ -0-

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE K – FAIR VALUE MEASUREMENTS (Continued)

Certificate of deposit values are based on readily available pricing sources for comparable investments. The values of the pooled investments were based on information provided by the investment managers and included valuation of the underlying securities.

The CLINIC recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended December 31, 2012 and 2011.

NOTE L – ENDOWMENT

The CLINIC has established a board-designated endowment which includes funds set aside by the Board of Directors to provide general operating support to the CLINIC. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The CLINIC had the following changes in the endowment net assets during the year ended December 31, 2012:

	2012	2011
Endowment net assets, beginning of year	\$ 500,688	\$ 507,064
Investment return:		
Interest and dividends	9,003	24,471
Net gains (loss)	50,882	(6,376)
Total investment return	59,885	18,095
Less: appropriated for expenditures	(9,003)	(24,471)
Endowment net assets, end of year	\$ 551,570	\$ 500,688

Return Objectives and Risk Parameters

The 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 investment risk.

Strategies Employed for Achieving Objectives

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2012

NOTE L – ENDOWMENT (Continued)

Spending Policy

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

NOTE M – SUBSEQUENT EVENTS

On May 1, 2013, the CLINIC entered into a 10-year lease for office space. The lease will begin when the premises are substantially complete, but no earlier than August 1, 2013. Under the terms of the lease, the base annual rent for the first year is approximately \$253,000 and will be subject to an annual escalation increase of four percent.

In addition, in January of 2013, the CLINIC entered into a new 63 month office lease in California. Base rent on this lease is approximately \$35,000 per year with an annual escalation increase of three percent.

Subsequent events were evaluated through May 31, 2013, which is the date the financial statements were available to be issued.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
For the Year Ended December 31, 2012

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<u>Department of Health and Human Services:</u>		
Direct program:		
Refugee and Entrant Assistance_Discretionary Grants	93.576	\$ 205,142
<u>Department of Homeland Security:</u>		
Direct program:		
Citizenship Education and Training	97.010	367,046
<u>Department of Justice:</u>		
Direct program:		
OVW Technical Assistance Initiative	16.526	74,268
<u>Total Expenditures of Federal Awards</u>		\$ 646,456

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the CLINIC under programs of the federal government for the year ended December 31, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the CLINIC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the CLINIC.

NOTE B –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS (Continued)
For the Year Ended December 31, 2012

NOTE C –SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the CLINIC provided federal awards to subrecipients as follows:

Program Name	CFDA Number	Amount Provided to Subrecipients
Refugee and Entrance Assistance_Discretionary Grants	93.576	\$ 177,841
Citizenship Education and Training	97.010	\$ 283,340



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Catholic Legal Immigration Network, Inc.
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Catholic Legal Immigration Network, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Catholic Legal Immigration Network, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Catholic Legal Immigration Network, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Catholic Legal Immigration Network, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
OMB CIRCULAR A-133 REPORTS (Continued)
December 31, 2012

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Catholic Legal Immigration Network, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drolet + Associates, P.L.L.C.

Washington, DC
May 31, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE, REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors of
Catholic Legal Immigration Network, Inc.
Washington, DC

Report on Compliance for Each Major Federal Program

We have audited the Catholic Legal Immigration Network, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Catholic Legal Immigration Network, Inc.'s major federal programs for the year ended December 31, 2012. The Catholic Legal Immigration Network, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Catholic Legal Immigration Network, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Catholic Legal Immigration Network, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Catholic Legal Immigration Network, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, the Catholic Legal Immigration Network, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
OMB CIRCULAR A-133 REPORTS (Continued)
December 31, 2012

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1. Our opinion on each major federal program is not modified with respect to this matter.

The Catholic Legal Network Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and the corrective action plan. The Catholic Legal Network, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Catholic Legal Network, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Catholic Legal Immigration Network, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Catholic Legal Network, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2012-1, that we consider to be a significant deficiency.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
OMB CIRCULAR A-133 REPORTS (Continued)
December 31, 2012

The Catholic Legal Network, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and the corrective action plan. The Catholic Legal Network, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Drolet + Associates, P.L.L.C.

Washington, DC
May 31, 2013

**CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes

Type of auditor’s report issued on compliance for major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	
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97.010	Citizenship Education and Training	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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97.010	Citizenship Education and Training
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CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2011

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as low-risk auditee?	No
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Section II – Findings - Financial Statement Audit

None

Section III – Findings and Questioned Costs – Major Federal Award Programs Audit

Federal Program: Citizenship Education and Training - CFDA #97.010

Finding 2012-1

Criteria: In accordance with the Federal Funding Accountability and Transparency Act of 2006, (FFATA), the Catholic Legal Immigration Network, Inc. is required to comply with applicable requirements to report first tier subawards of \$25,000 or more and, in certain circumstances, to report the names and total compensation of the five most highly compensated executives of the recipient and first-tier subrecipients of award funds. Such data is required to be submitted through the FFATA Subaward Reporting System.

Condition: No reporting for first-tier subawards and executive compensation was performed for the year ended December 31, 2012.

Context, Effect and Cause: Management was not aware of this requirement under the Federal Funding Accountability and Transparency Act and therefore this requirement was not met.

Questioned Costs: None

Recommendation: Procedures should be implemented to ensure grant documents are carefully reviewed to identify any changes or special requirements. Also, grant personnel should receive annual training which will keep them updated with changes within the federal grant community.

Management Response:

Award letters and grant requirements will be reviewed thoroughly by grant personnel who will be required to attend annual trainings to stay in compliance with grant reporting.