

**CATHOLIC LEGAL IMMIGRATION
NETWORK, INC.**

AUDITED FINANCIAL STATEMENTS

December 31, 2008 and 2007

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
AUDITED FINANCIAL STATEMENTS
December 31, 2008 and 2007

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

Report of Independent Auditors

We have audited the accompanying statements of financial position of Catholic Legal Immigration Network, Inc. (CLINIC) as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the CLINIC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2009, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements of the CLINIC. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements of the CLINIC.

Washington, DC
June 16, 2009

Drolet + Associates, PLLC

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,084,318	\$ 1,591,573
Accounts receivable (net of allowance for doubtful accounts of \$24,100 for 2008 and \$10,000 for 2007)	24,361	18,519
Contributions receivable	813,329	920,780
Grants receivable	82,172	266,762
Prepaid expenses and other current assets	99,942	20,109
Certificates of deposits	1,220,261	-0-
TOTAL CURRENT ASSETS	3,324,383	2,817,743
RESTRICTED INVESTMENTS	784,612	1,116,127
FIXED ASSETS, net	26,948	766
CONTRIBUTIONS RECEIVABLE, net of current portion	96,244	412,473
DEPOSITS	3,250	3,250
TOTAL ASSETS	\$ 4,235,437	\$ 4,350,359
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 290,559	\$ 408,466
Accrued expenses	104,041	146,156
Deferred revenue	13,180	-0-
TOTAL CURRENT LIABILITIES	407,780	554,622
DEFERRED RENT AND LEASE INCENTIVE	32,625	-0-
TOTAL LIABILITIES	440,405	554,622
NET ASSETS		
Unrestricted	1,396,517	812,325
Unrestricted - Board designated for endowment	284,612	616,127
Total unrestricted	1,681,129	1,428,452
Temporarily restricted	2,113,903	2,367,285
TOTAL NET ASSETS	3,795,032	3,795,737
TOTAL LIABILITIES AND NET ASSETS	\$ 4,235,437	\$ 4,350,359

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, 2008

	Unrestricted	Temporarily Restricted	Total
REVENUE, GRANTS, AND OTHER SUPPORT			
United States Conference of Catholic Bishops support	\$ 2,174,397		\$ 2,174,397
Professional services fees	41,131		41,131
Religious contract revenues	638,610		638,610
Federal awards	504,980		504,980
Other grants and contributions	637,185	\$ 1,021,972	1,659,157
Investment loss	(236,926)		(236,926)
Training and seminars	327,614		327,614
Membership and other	152,087		152,087
Net assets released from restrictions	1,275,354	(1,275,354)	-0-
TOTAL REVENUE, GRANTS , AND OTHER SUPPORT	5,514,432	(253,382)	5,261,050
EXPENSES			
PROGRAM EXPENSES			
Direct representation	1,666,034		1,666,034
Emergency population representation	198,486		198,486
Diocesan support	2,601,265		2,601,265
TOTAL PROGRAM EXPENSES	4,465,785	-0-	4,465,785
SUPPORTING SERVICES			
Fundraising and development	247,031		247,031
Management and general	548,939		548,939
TOTAL SUPPORTING SERVICES	795,970	-0-	795,970
TOTAL EXPENSES	5,261,755	-0-	5,261,755
CHANGE IN NET ASSETS	252,677	(253,382)	(705)
NET ASSETS, BEGINNING OF YEAR	1,428,452	2,367,285	3,795,737
NET ASSETS, END OF YEAR	\$ 1,681,129	\$ 2,113,903	\$ 3,795,032

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, 2007

	Unrestricted	Restricted	Total
REVENUE, GRANTS, AND OTHER SUPPORT			
United States Conference of Catholic Bishops support	\$ 1,800,000		\$ 1,800,000
Professional services fees	31,399		31,399
Religious contract revenues	509,455		509,455
Federal awards	383,240	\$ 181,785	565,025
Other grants and contributions	1,312,509	1,235,112	2,547,621
Investment income	105,747		105,747
Training and seminars	252,631		252,631
Membership and other	184,678		184,678
Net assets released from restriction	1,078,531	(1,078,531)	-0-
TOTAL REVENUE, GRANTS , AND OTHER SUPPORT	5,658,190	338,366	5,996,556
EXPENSES			
PROGRAM EXPENSES			
Direct representation	1,506,230		1,506,230
Emergency population representation	294,131		294,131
Diocesan support	2,740,214		2,740,214
TOTAL PROGRAM EXPENSES	4,540,575	-0-	4,540,575
SUPPORTING SERVICES			
Fundraising and development	204,461		204,461
Management and general	491,215		491,215
TOTAL SUPPORTING SERVICES	695,676	-0-	695,676
TOTAL EXPENSES	5,236,251	-0-	5,236,251
CHANGE IN NET ASSETS	421,939	338,366	760,305
NET ASSETS, BEGINNING OF YEAR	1,006,513	2,028,919	3,035,432
NET ASSETS, END OF YEAR	\$ 1,428,452	\$ 2,367,285	\$ 3,795,737

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ (705)	\$ 760,305
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,379	-0-
Loss (gain) on investments	285,086	(53,982)
(Increase) decrease in accounts receivable	(5,842)	13,558
Decrease (increase) in contributions receivable	423,680	(237,900)
Decrease (increase) in grants receivable	184,590	(195,597)
(Increase) decrease in prepaid expenses and other current assets	(79,833)	1,830
(Decrease) increase in accounts payable	(117,907)	244,242
(Decrease) increase in accrued expenses	(42,115)	30,596
Increase in deferred revenue	13,180	-0-
Increase deferred and lease incentive	6,228	-0-
NET CASH PROVIDED BY OPERATING ACTIVITIES	667,741	563,052
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of certificates of deposits	(1,528,000)	-0-
Proceeds of the sale of certificates of deposits	307,739	-0-
Net sales of restricted investments	46,429	68,822
Purchase of leasehold improvement	(1,164)	-0-
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,174,996)	68,822
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(507,255)	631,874
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,591,573	959,699
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,084,318	\$ 1,591,573

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2008 and 2007

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. The CLINIC has five regional offices in addition to the District of Columbia location.

The CLINIC is primarily funded by the United States Conference of Catholic Bishops (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, 2008 and 2007, as the CLINIC had no net unrelated business income.

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.

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 Receivable Accounts 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.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

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

**Certificates of
Deposit**

Certificates of deposit are recorded at fair market value.

**Restricted
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 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.

**Recognition of
Donor Restricted
Contributions**

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 in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, 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. 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.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

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

Deferred

Rent and Lease

Incentive

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

Reclassifications Certain 2007 amounts have been reclassified for comparative purposes.

NOTE B – CONTRIBUTIONS RECEIVABLE

The CLINIC has recorded contributions receivable at the present value of estimated future cash flows as of December 31, 2008 and 2007. Contributions receivable due in more than one year are discounted at a rate of approximately 5%.

The CLINIC had contributions receivable as follows as of December 31, 2008 and 2007:

Description	2008	2007
Receivable in less than one year	\$ 813,329	\$ 920,780
Receivable in one to five years	105,000	450,000
Total contributions receivable	918,329	1,370,780
Less: discount to net present value	(8,756)	(37,527)
Net contributions receivable	\$ 909,573	\$ 1,333,253

Uncollectible contributions receivable are expected to be insignificant, and accordingly no allowance for doubtful promises to give has been recorded.

NOTE C – CONCENTRATIONS

Two donors represent approximately 65% of the contributions receivable as of December 31, 2008. Two donors represented approximately 78% of the contributions receivable as of December 31, 2007. Approximately 35% of other grants and contributions came from one donor during 2007.

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.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE D – RESTRICTED INVESTMENTS

Restricted investments include amounts set aside by the Board of Directors to assist the CLINIC in establishing an endowment fund. In addition, a donor contributed \$500,000, which may only be used for emergency cash flow situations.

Restricted investments at December 31, 2008 and 2007 consisted of the following pooled investment funds:

	2008	2007
USCCB Met West Mgt	\$ 144,386	\$ 161,001
USCCB State Street Index	203,851	327,074
SSGA Bond Index Fund	165,338	164,287
USCCB Inv Counselors MD	191,835	318,022
CLINIC CBIS Foreign Equity	79,202	145,743
Total restricted investments	\$ 784,612	\$ 1,116,127

Investment income for the years ended December 31, 2008 and 2007 is summarized as follows:

	2008	2007
Interest and dividend income	\$ 48,160	\$ 51,765
Net realized (loss) gain	(10,307)	55,245
Net unrealized loss	(274,779)	(1,263)
Total investment (loss) income	\$ (236,926)	\$ 105,747

NOTE E – FIXED ASSETS

The CLINIC held the following fixed assets as of December 31, 2008 and 2007:

Description	2008	2007
Furniture and equipment	\$ 129,854	\$ 129,854
Leasehold improvements	27,560	-0-
Accumulated depreciation and amortization	(130,466)	(129,088)
Fixed assets, net	\$ 26,948	\$ 766

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

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. In 2008, the CLINIC matched 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 received a dollar for dollar match up to \$3,000. During 2007, employees received a match of 1/2 of every 1% contributed up to a maximum of \$1,500. Annuity Plan expense for the years ended December 31, 2008 and 2007 was approximately \$38,000 and \$30,000, respectively.

The CLINIC's employees participate in a multi-employer, noncontributory defined benefit pension plan (the Plan) administered by the United States Catholic Conference for 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, 2008 and 2007 was approximately \$78,000 and \$66,000, respectively. All employees hired on or after January 1, 2008 will not be eligible to participate in the plan. Information regarding assets and actuarial liabilities of the Plan is not available at the individual employer level.

NOTE G – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at December 31, 2008 and 2007:

Description	2008	2007
Naturalization, legal representation, and advocacy	\$ 819,969	\$ 853,208
Legal research and program implementation	260,061	26,359
Immigration law training and manuals	92,689	125,245
Donor restricted for emergency situations	500,000	500,000
Restriction for subsequent period	441,184	862,473
Total	\$ 2,113,903	\$ 2,367,285

Net assets were released from donor restrictions during 2008 and 2007 as follows:

Description	2008	2007
Naturalization, legal representation, and advocacy	\$ 673,750	\$ 1,023,916
Legal research and program implementation	26,359	21,438
Immigration law training and manuals	125,245	33,177
Timing releases	450,000	-0-
Total	\$ 1,275,354	\$ 1,078,531

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE H – OPERATING LEASES

The CLINIC leases office space and copier equipment for the national office and three regional offices under various operating lease agreements over terms that expire through 2013. The office space leases include options to renew for an additional one five year lease term. In the normal course of business, operating leases are generally renewed or replaced by other leases. Rent expense was approximately \$243,000 and \$205,000 for the years ended December 31, 2008 and 2007, respectively.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 2008 are:

For the Years Ending December 31,	Amount
2009	\$ 231,740
2010	240,942
2011	245,049
2012	245,681
2013	147,408
Total future minimum lease payments	\$ 1,110,820

NOTE I – 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.

NOTE J – DONATED SERVICES

The approximate value of donated services included in management and general expenses in the financials statements for the years ended December 31, 2008 and 2007 are as follows:

Description	2008	2007
Professional services, temporary staff, and consultants	\$ 15,000	\$ 39,000
Total expenses	\$ 15,000	\$ 39,000

Contributions of donated services of approximately \$15,000 and \$39,000 are included in other grants and contributions for the years ended December 31, 2008 and 2007, respectively.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE K – FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value Measurements

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157) defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and enhances disclosure requirements for fair value measurements. The CLINIC accounts for its investments at fair value or considers fair value in their measurement. The CLINIC accounts for certain financial assets and liabilities at fair value under various accounting literature, including SFAS No. 124.

Fair Value Hierarchy

In accordance with SFAS No. 157, the 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 the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Statement of Financial Position are categorized based on the inputs to the valuation techniques as follows:

Level 1

Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the CLINIC has the ability to access (examples include active exchange-traded equity securities, listed derivatives, and most U.S. Government and agency securities).

Level 2

Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets or liabilities in active markets (for example, restricted stock);
- Quoted prices for identical or similar assets or liabilities in non-active markets (examples include corporate and municipal bonds, which trade infrequently);
- Pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over-the-counter derivatives, including interest rate and currency swaps); and

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 31, 2008 and 2007

NOTE K – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability (examples include certain residential and commercial mortgage related assets, including loans, securities and derivatives).

Level 3

Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments and split interest agreements).

As of December 31, 2008, certificates of deposits and restricted investments are measured at fair value on a recurring basis and are considered to be Level 1.

SUPPLEMENTAL INFORMATION

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2008

	Direct Representation	Emergency Population Representation	Diocesan Support	Fundraising and Development	Management and General	TOTAL
Salaries and wages	\$ 875,390	\$ 127,958	\$ 1,126,567	\$ 149,075	\$ 260,699	\$ 2,539,689
Fringe benefits	233,541	34,137	300,551	39,771	69,552	677,552
Staff travel	26,901	17,277	297,086	315	21,144	362,723
Bank charges and credit card fees	330		1,185	55	5,943	7,513
Office supplies	22,865	1,799	59,496	1,267	23,680	109,107
Equipment rental and maintenance	14,083		49,935		15,579	79,597
Staff development	4,956	1,698	14,799	2,571	5,590	29,614
Occupancy	83,596	12,219	107,583	14,236	24,896	242,530
Professional services, temporary staff, and consultants	35,432		71,932	30,063	83,009	220,436
Program management	286,861		363,170			650,031
Subscription and reference books	17,906	1,317	33,793	112	706	53,834
Licenses and fees	1,628	395	11,723	170	2,765	16,681
Communication charges	5,997	1,663	51,799		3,928	63,387
Insurance	7,290		28,270	1,033	5,952	42,545
Postage, shipping, and freight	28,390	23	22,953	1,220	6,156	58,742
Printing and duplication	20,494		57,319	4,312	1,560	83,685
Bad debt expense					14,100	14,100
Depreciation expense	197		984		198	1,379
Miscellaneous	177		2,120	2,831	3,482	8,610
Total Expenses	\$ 1,666,034	\$ 198,486	\$ 2,601,265	\$ 247,031	\$ 548,939	\$ 5,261,755

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2007

	Direct Representation	Emergency Population Representation	Diocesan Support	Fundraising and Development	Management and General	TOTAL
Salaries and wages	\$ 796,770	\$ 203,301	\$ 987,833	\$ 117,975	\$ 261,635	\$ 2,367,514
Fringe benefits	177,090	50,875	239,706	35,753	69,140	572,564
Staff travel	42,992	14,258	323,248	3,374	12,926	396,798
Bank charges and credit card fees	440		1,177	110	7,613	9,340
Office supplies	10,638	1,382	66,070	1,441	10,488	90,019
Equipment rental and maintenance	7,656		49,347		12,395	69,398
Staff development	6,225	559	11,856	2,079	2,989	23,708
Occupancy	63,454	18,229	85,890	12,811	24,773	205,157
Professional services, temporary staff, and consultants	23,967	1,294	117,906	16,231	70,077	229,475
Program management	309,330		640,809			950,139
Subscription and reference books	15,298	1,410	23,925	334	1,752	42,719
Licenses and fees	4,466	875	13,413		1,471	20,225
Communication charges	4,799	1,420	57,409	173	3,688	67,489
Insurance	4,782		18,907	1,250	4,033	28,972
Postage, shipping, and freight	24,126	158	23,353	4,004	5,165	56,806
Printing and duplication	12,907	370	78,106	5,466	(105)	96,744
Miscellaneous	1,290		1,259	3,460	3,175	9,184
Total Expenses	\$ 1,506,230	\$ 294,131	\$ 2,740,214	\$ 204,461	\$ 491,215	\$ 5,236,251

**CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2008**

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 Grant	93.576	\$ 504,980
Pass through program from Lutheran Immigration and Refugee Services Assistance for Torture Victims	93.604	14,112
Total Department of Health and Human Services		519,092
<u>Department of Justice:</u>		
Direct program:		
OVW Technical Assistance Initiative	16.526	76,529
Total Expenditures of Federal Awards		\$ 595,621

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting. 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Subrecipients

The CLINIC provided federal awards to subrecipients as follows:

Refugee and Entrant Assistance_Discretionary Grant	93.576	\$ 251,547
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**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**

Board of Directors
Catholic Legal Immigration Network, Inc. (CLINIC)
Washington, DC

We have audited the financial statements of Catholic Legal Immigration Network, Inc. (CLINIC) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 16, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the CLINIC's internal control over financial reporting as a basis for designing our auditing procedures 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 CLINIC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CLINIC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the CLINIC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the CLINIC's financial statements that is more than inconsequential will not be prevented or detected by the CLINIC's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. A significant deficiency is described in the accompanying schedule of findings and questioned costs as item 2008-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the CLINIC's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CLINIC's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3.

We noted certain matters that we reported to management of the CLINIC in a separate letter dated June 16, 2009.

The CLINIC's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the CLINIC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Finance and Audit Committee, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Washington, DC
June 16, 2009

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



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Catholic Legal Immigration Network, Inc. (CLINIC)
Washington, DC

Compliance

We have audited the compliance of Catholic Legal Immigration Network, Inc. (CLINIC) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The CLINIC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the CLINIC's management. Our responsibility is to express an opinion on the CLINIC's compliance based on our audit.

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 CLINIC'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. Our audit does not provide a legal determination of the CLINIC's compliance with those requirements.

As described in item 2008-2 in the accompanying schedule of findings and questioned costs, the CLINIC did not comply with requirements regarding subrecipient monitoring that are applicable to its Refugee and Entrant Assistance_Discretionary Grant program. Compliance with such requirements is necessary, in our opinion, for the CLINIC to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the CLINIC complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. The results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2008-3.

Internal Control Over Compliance

The management of the CLINIC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal

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programs. In planning and performing our audit, we considered the CLINIC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 CLINIC's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-2 and 2008-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The CLINIC's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the CLINIC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and the use of management, the Finance and Audit Committee, the Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Washington, DC
June 16, 2009

Drolet + Associates, PLLC

**CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2008**

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? Yes

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:

CFDA Number Name of Federal Program or Cluster

93.576 U.S. Department of Health and Human Services – Refugee and Entrant Assistance_Discretionary Grant Qualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? Yes

Identification of major programs:

CFDA Number Name of Federal Program or Cluster

93.576 U.S. Department of Health and Human Services – Refugee and Entrant Assistance_Discretionary Grant

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? No

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2008

Section II – Financial Statement Findings

Finding 2008-1: Income Recognition for Services Provided

Criteria: Revenue for services provided by the CLINIC to other organizations must be reported as income in the proper period.

Condition: CLINIC provides services to other organizations. These services and the required payment terms are outlined in a Memorandum of Understanding (MOU) between CLINIC and the other organization. However, we noted instances in which the MOU's were not finalized prior to providing the services. Accounting was not notified of the income to be recorded and billed in a timely manner. Accordingly, income was not reported in the proper period.

Context, Effect and Cause: MOU's are not being finalized on a timely basis even though the terms have been verbally agreed to by both parties.

Recommendation: We recommend that the CLINIC establish a procedure requiring the finalized MOU be submitted to accounting prior to services being provided.

Management Response: An MOU/Contract Control system has been established that includes an MOU Control Log, which will be maintained by the Accounting Department. Every MOU will be assigned a unique MOU Control Number by Accounting and signed by the Director of Organizational Development, Administration and Support prior to being sent to the other parties to the MOU for their signature. This will provide accounting with prior knowledge of all planned MOU's.

Finding 2008-2: Subrecipient Monitoring

Federal Programs: CFDA #93.576 Refugee and Entrant Assistance_Discretionary Grant

Criteria: Pursuant to Subpart C of the Office of Management and Budget (OMB) Circular A-110, "Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations," recipients are responsible for managing and monitoring each project, program, subaward, function or activity supported by the award. Recipients shall monitor subawards to ensure subrecipients have met the audit requirements and shall apply the provisions of OMB Circular A-110 to subrecipients performing substantial work under grants and agreements that are passed through or awarded by the primary recipient.

Condition: During our audit, we noted that the agreement with its subrecipients incorrectly stated that "an A-133 audit is required if the agency received \$300,000 or more in cumulative federal grants." The correct statement should have been "an A-133 audit is required if the subrecipient expends \$500,000 or more in federal funds." We also noted that the CLINIC did not follow-up to ensure the required audits were obtained and to resolve audit findings, if any.

Context, Effect and Cause: The lack of adequate internal controls over subrecipient monitoring could result in noncompliance over the administration of federal funding and federal audit requirements.

Recommendation: We recommend that the CLINIC establish strong and effective internal controls over subrecipient monitoring to ensure that subrecipients are audited as required, audit findings are resolved, and the

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2008

impact of any subrecipient noncompliance is evaluated. The CLINIC should also issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate corrective actions.

Management Response: A new Grants Administrator position has been established and tasked with the responsibility to monitor subrecipients' compliance with the audit requirement of the OMB Circular A-110. Also, all MOU's to subrecipients will contain language informing the subrecipients of their responsibility to provide CLINIC with the required reports. In addition, a form letter from Accounting will be mailed to all subrecipients at the end of each calendar year notifying them of the requirement to provide their A-133 audit to CLINIC, or to state that they are not required to file the A-133 audit.

Finding 2008-3: Time Reporting

Federal Programs: CFDA # 93.576 Refugee and Entrant Assistance_Discretionary Grant

Criteria: Office of Management and Budget (OMB) Circular A-122, "Cost Principles of Non-Profit Organizations," requires that charges to federal awards for salaries and wages, whether treated as direct costs or indirect costs, will be based on documented payrolls approved by a responsible official of the organization. The distribution of salaries and wages to federal awards must be supported by personnel activity reports, except when a substitute system has been approved in writing by the cognizant agency. Personnel activity reports must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to federal awards. Reports maintained by non-profit organizations to satisfy these requirements must meet the following standards:

- (a) The reports must reflect an *after-the-fact* determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.
- (b) Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization.
- (c) The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.
- (d) The reports must be prepared at least monthly and must coincide with one or more pay periods.

Condition: During our audit, we noted that employees are not consistently signing-off on their Traktime reports. We noted no indication of the supervisor's review or approval on the Traktime reports. The CLINIC financial policy manual states that employees are to sign and date the hard copies of their Traktime reports. The signed reports should then be given to their supervisor for review and approval. The reports are to be signed by the director before being given to the accounting department.

Questioned Costs: N/A

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2008

Context, Effect and Cause: Without a proper system of internal controls that documents the distribution of salaries and wages to an organization's various programs and a review and approval process, the personnel cost associated with each program cannot be relied upon.

Recommendation: We recommend that all timesheets be signed by the employee and approved by a supervisor.

Management Response: All Directors and supervisors have been informed that all staff time reports (TrakTime) are to be signed and dated by the employee, reviewed and signed by their supervisor and then forwarded to the Accounting Department which will monitor compliance and maintain the records.

Section III – Federal Award Findings and Questioned Costs

Finding 2008-2: Subrecipient Monitoring

See Financial Statement Findings.

Finding 2008-3: Time Reporting

See Financial Statement Findings.