CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2018 AND 2017

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Jones, Maresca & McQuade, P.A.
Certified Public Accountants

1730 Rhode Island Avenue, NW
Suite 800
Washington, DC 20036
(202) 296-3306
Fax: (202) 296-0059

Independent Auditor's Report

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

We have audited the accompanying financial statements of Catholic Legal Immigration Network, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2018, and 2017, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Washington, DC
June 4, 2019

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 475,013	$ 900,244
Accounts receivable	57,534	138,304
Contributions receivable	1,545,372	1,612,962
Federal grants receivable	43,144	66,452
Prepaid expenses and other assets	126,438	103,763
Total Current Assets	2,247,501	2,821,725
OTHER ASSETS		
Investments	11,499,117	9,701,109
Property and equipment, net	279,578	244,338
Total Other Assets	11,778,695	9,945,447
TOTAL ASSETS	$ 14,026,196	$ 12,767,172
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 668,199	$ 298,040
Accrued expenses	468,278	327,598
Deferred revenue	113,420	138,388
Total Current Liabilities	1,249,897	764,026
OTHER LIABILITIES		
Deferred rent	175,144	213,192
Total Liabilities	1,425,041	977,218
NET ASSETS		
Without donor restrictions	10,179,588	8,749,721
Board designated	710,567	798,013
Total net assets without donor restrictions	10,890,155	9,547,734
With donor restrictions	1,711,000	2,242,220
Total Net Assets	12,601,155	11,789,954
TOTAL LIABILITIES AND NET ASSETS	$ 14,026,196	$ 12,767,172

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without donor Restrictions	With donor Restrictions	Total
REVENUE AND SUPPORT			
United States Conference of Catholic Bishops ("USCCB") support	$ 2,485,667	$ -	$ 2,485,667
Religious contracts	1,131,261	-	1,131,261
Professional services fees	2,207,441	-	2,207,441
Training and seminars	606,864	-	606,864
Other grants and contributions	875,405	1,190,000	2,065,405
Federal and state awards	466,955	-	466,955
Membership and other	363,300	-	363,300
Investment loss	(136,405)	-	(136,405)
In-kind contributions	365,875	-	365,875
Net assets released from restrictions	1,721,220	(1,721,220)	-
Total Revenue and Support	10,087,583	(531,220)	9,556,363
EXPENSES			
Program Services			
Education and network growth	5,035,526	-	5,035,526
Direct representation	1,272,788	-	1,272,788
Advocacy and community engagement	1,220,248	-	1,220,248
Total Program Services	7,528,562	-	7,528,562
Support Services			
Management and general	833,935	-	833,935
Fundraising and development	382,665	-	382,665
Total Support Services	1,216,600	-	1,216,600
Total Expenses	8,745,162	-	8,745,162
CHANGE IN NET ASSETS	1,342,421	(531,220)	811,201
NET ASSETS, beginning of year	9,547,734	2,242,220	11,789,954
NET ASSETS, end of year	$ 10,890,155	$ 1,711,000	$ 12,601,155

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without donor Restrictions	With donor Restrictions	Total
REVENUE AND SUPPORT			
United States Conference of Catholic Bishops ("USCCB") support	$ 2,323,215	$ -	$ 2,323,215
Religious contracts	1,016,874	-	1,016,874
Professional services fees	1,295,412	-	1,295,412
Training and seminars	660,065	-	660,065
Other grants and contributions	825,327	2,769,496	3,594,823
Federal awards	481,404	-	481,404
Membership and other	332,400	-	332,400
Investment income	321,576	-	321,576
In-kind contributions	453,029	-	453,029
Net assets released from restrictions	2,193,573	(2,193,573)	-
Total Revenue and Support	9,902,875	575,923	10,478,798
EXPENSES			
Program Services			
Education and network growth	3,933,285	-	3,933,285
Direct representation	1,231,971	-	1,231,971
Advocacy and community engagement	1,165,697	-	1,165,697
Total Program Services	6,330,953	-	6,330,953
Support Services			
Management and general	662,963	-	662,963
Fundraising and development	415,385	-	415,385
Total Support Services	1,078,348	-	1,078,348
Total Expenses	7,409,301	-	7,409,301
CHANGE IN NET ASSETS	2,493,574	575,923	3,069,497
NET ASSETS, beginning of year	7,054,160	1,666,297	8,720,457
NET ASSETS, end of year	$ 9,547,734	$ 2,242,220	$ 11,789,954

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services				Support Services			
	Education and Network Growth	Direct Representation	Advocacy and Community Engagement	Total Program Services	Management and General	Fundraising and Development	Total Support Services	Total
Salaries	$ 1,663,343	$ 702,387	$ 653,882	$ 3,019,612	$ 387,720	$ 240,015	$ 627,735	$ 3,647,347
Payroll Taxes	124,735	52,071	49,538	226,344	27,921	17,137	45,058	271,402
Employee benefits	291,150	124,753	85,108	501,011	72,116	36,509	108,625	609,636
Total Personnel Cost	2,079,228	879,211	788,528	3,746,967	487,757	293,661	781,418	4,528,385
Audit and accounting	-	-	-	-	16,000	-	16,000	16,000
Bad debt	-	-	-	-	3,000	-	3,000	3,000
Bank charges and credit card fees	-	-	-	-	3,926	653	4,579	4,579
Building maintenance and other	5,815	1,200	592	7,607	873	615	1,488	9,095
Communication	40,438	9,550	12,547	62,535	2,485	2,814	5,299	67,834
Conference	432	-	-	432	-	-	-	432
Convening	85,900	18,487	33,450	137,837	16,068	21,918	37,986	175,823
Depreciation and amortization	22,854	14,817	18,989	56,660	9,296	8,645	17,941	74,601
Equipment rental and maintenance	23,706	22,876	17,174	63,756	6,815	8,177	14,992	78,748
Insurance	15,124	8,260	5,257	28,641	2,348	2,014	4,362	33,003
Licenses/practice related fees	9,032	5,536	1,887	16,455	609	3,413	4,022	20,477
Occupancy	88,896	83,303	58,227	230,426	39,300	24,189	63,489	293,915
Office supplies	11,071	13,701	5,715	30,487	3,870	4,188	8,058	38,545
Postage, shipping and freight	6,593	16,879	476	23,948	3,240	2,500	5,740	29,688
Printing and duplication	3,993	6,186	2,302	12,481	2,163	1,337	3,500	15,981
Professional services, temporary staff, and consultants	409,407	95,954	62,485	567,846	33,705	9,730	43,435	611,281
Program development and marketing	8,459	10,829	113,259	132,547	1,352	13,346	14,698	147,245
Reports and state filing fees	13	1	-	14	1	3,885	3,886	3,900
Staff development	12,164	12,745	5,711	30,620	8,503	2,076	10,579	41,199
Sub grants	984,673	-	-	984,673	-	-	-	984,673
Subscriptions, books and reference materials	2,834	2,176	7,446	12,456	328	4,475	4,803	17,259
Training and program materials	48,872	14,946	765	64,583	1,479	72	1,551	66,134
Travel	73,781	15,314	30,887	119,982	19,845	7,677	27,522	147,504
Total Expenses	$ 3,933,285	$ 1,231,971	$ 1,165,697	$ 6,330,953	$ 662,963	$ 415,385	$ 1,078,348	$ 7,409,301

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 811,201	$ 3,069,497
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	67,938	74,601
Net depreciation (appreciation) in fair value of investments	265,295	(253,294)
(Increase) decrease in:		
Accounts receivable	80,770	(122,101)
Contributions receivable	67,590	(1,199,399)
Federal grants receivable	23,308	57,861
Prepaid expenses and other assets	(22,675)	(26,266)
Increase (decrease) in:		
Accounts payable	370,159	94,962
Accrued expenses	140,680	7,460
Deferred revenue	(24,968)	34,468
Deferred rent	(38,048)	(37,294)
Net Cash Provided by Operating Activities	1,741,250	1,700,495
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposits	(2,116,771)	(5,304,226)
Proceeds from sales of investments	66,204	5,021,064
Net purchases of pooled investments	(12,735)	(1,261,401)
Purchases of property and equipment	(103,179)	(7,200)
Net Cash Used for Investing activities	(2,166,481)	(1,551,763)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(425,231)	148,732
CASH AND CASH EQUIVALENTS, beginning of year	900,244	751,512
CASH AND CASH EQUIVALENTS, end of year	$ 475,013	$ 900,244

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31,   AND

NOTE A – NATURE OF ORGANIZATION AND PROGRAM DESCRIPTIONS

Organization

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

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

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

> *Education and Network Growth*: This program was established to guide nonprofit organization leaders to begin or expand charitable immigration legal services, equip nonprofit immigration legal representatives with training on immigration law and program management skills, and manage projects serving vulnerable immigrants delivered by local nonprofit organizations benefiting from CLINIC's structure and oversight.
>
> *Direct Representation*: This program consists of legal services provided to clients before the United States Citizenship and Immigration Services, Immigration Court, the Board of Immigration Appeals, and in federal court.
>
> *Advocacy and Community Engagement:* This program educates the public on immigration issues, engages government on immigration, individual, and policy related matters, and promote positive resolutions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Use of Estimates

Management uses estimates and assumptions 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 amounts of revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The standard was changed to address the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net assets classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Financial Statements of *Not-For-Profit Organizations*. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

> *Net Assets without Donor Restrictions* - Net assets that are not subject to donor-imposed stipulations.
>
> *Net Assets with Donor Restrictions* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of CLINIC and/or the passage of time or that must be maintained permanently by CLINIC. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions. CLINIC had $1,711,000 and $2,242,220 of net assets with donor restrictions as of December 31, 2018 and 2017.

Cash and Cash Equivalents

CLINIC considers all highly liquid short-term instruments purchased with an original maturity of three months or less and money markets funds to be cash equivalents, except those included as part of an investment portfolio.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Accounts Receivable

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts if management deems necessary. An allowance for doubtful accounts is based on management's evaluation of the status of existing receivables and historical collections data. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Management believes that all receivables are fully collectible; therefore, no allowance for doubtful accounts was recorded as of December 31, 2018 and 2017.

Contributions and Federal Grants Receivable

Unconditional promises to give that have not been collected as of year-end are recorded as contributions receivable. Federal grants receivable are stated at the amount that management expects to collect from outstanding balances, for services provided under federal awards. Management believes that the unconditional promises to give and federal grants receivable are fully collectible, thus no allowance for uncollectible contributions receivable was deemed necessary.

Investments

Investments consist of money market funds, certificates of deposits with an original maturity of greater than three months and mutual funds owned through a master trust investment arrangement (pooled investments). Purchases and sales through the master trust investment arrangement are shown net in the accompanying statements of cash flows. The pooled investments are managed by independent investment managers and securities are held in safekeeping by a bank custodian. The investment portfolio include assets of USCCB; however, the proportional ownership of these portfolios and income is separately reported by the custodian bank and amounts owned by USCCB are not reported in these financial statements.

Property and Equipment

Property and equipment are recorded at cost, net of accumulated depreciation. CLINIC capitalizes all expenditures for property and equipment greater than $5,000. Property and equipment are carried at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation and amortization are computed using the straight line method over the estimated useful lives of the assets which range from five to ten years. Leasehold improvements are amortized over the shorter of the lease term or useful life of the asset. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Deferred Rent and Deferred Revenue

CLINIC records lease incentives on a straight-line basis over the term of the lease. Deferred revenue results from training and seminar income received in the current period and are deferred recognition until the following period in which the services are provided.

Grants, Contributions and Support

Unconditional promises to give are recognized as revenues or gains in the period received. Conditional promises to give are recognized only when the condition is substantially met and the promise becomes unconditional. Donor restricted contributions for which the restrictions are met in the year received are considered assets without donor restrictions for financial statement purposes. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restriction.

Revenue Recognition

Revenue from professional services, religious contracts and training and seminars is recognized when the services have been performed. Membership revenue is recognized on a calendar year basis. Revenue from federal awards is recognized on a cost reimbursement basis to the extent of allowable cost.

In-Kind Contributions

In-kind contributions are recorded at fair market value at the date of donation. Donated services are recognized at their fair value if the service requires specialized skills and the services would typically need to be purchased, if not donated. For the year ended December 31, 2018, CLINIC received donated legal services and advertising services in the amount of $337,949 and $27,926, respectively. For the year ended December 31, 2017 CLINIC received donated legal services and advertising services in the amount of $348,984 and $104,045, respectively.

Method Used for Allocation of Expenses from Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or a supporting function as management and general activities. Expenses of this nature are allocated on a reasonable basis that is consistently applied. Allocated expenses include depreciation and amortization, salaries and benefits, and other general organizational costs which are allocated on the basis of time worked, and rent and building maintenance expenses which are allocated on the basis of square footage of space occupied by each employee based on the program or general department to which the employee is assigned.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Reclassifications

Certain amounts for the year ended December 31, 2017 have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

NOTE C – INCOME TAXES

CLINIC is recognized as exempt from federal income taxes, except on unrelated business activities, under the provisions of Section 501(c)(3) of the Internal Revenue Code.

CLINIC believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

CLINIC's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. CLINIC's information returns for the years ended December 31, 2015 through 2017, are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

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

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

A balanced budget approach for 2018 and 2019 has been adopted which anticipates that annual revenue levels will cover general operating expenditures. Timing of revenue receipts also ensures the availability of necessary operational funds. Sources of liquidity available to CLINIC include financial assets consisting of cash and cash equivalents, accounts receivable, grants and contributions receivable and short-term money-market and equity security investments. Refer to the statement of cash flows which identifies the sources and uses of CLINIC's cash and cash equivalents and shows positive cash generated by operations for calendar years 2018 and 2017.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

As of December 31, 2018, and 2017, total financial assets held by CLINIC and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures were:

	2018	2017
Cash and cash equivalents	$ 475,013	$ 900,244
Accounts receivables	57,534	138,304
Grants and contributions receivable	1,588,516	1,679,414
Investments convertible to cash in the next 12 months	11,499,117	9,701,109
Total	13,620,180	12,419,071
Assets encumbered by donor restrictions	(1,711,000)	(2,242,220)
Assets encumbered by board designations	(710,567)	(798,013)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One year	$ 11,198,613	$ 9,378,838

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENT

Fair value, as defined in the fair value measurement accounting guidance, 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, or exit price.

The guidance on fair value measurement accounting requires that CLINIC make assumptions market participants would use in pricing an asset or liability based on the best information available. CLINIC considers factors that were not previously measured when determining the fair value of financial instruments. These factors include nonperformance risk (the risk that the obligation will not be fulfilled) and credit risk, of the reporting entity (for liabilities) and of the counterparty (for assets). The fair value measurement guidance prohibits inclusion of transaction costs and any adjustments for blockage factors in determining the instruments’ fair value. The principal or most advantageous market should be considered from the perspective of the reporting entity.

Fair value, where available, is based on observable quoted market prices. Where observable prices or inputs are not available, several valuation models and techniques are applied. These models and techniques attempt to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENT – continued

The process involves varying levels of management judgment, the degree of which is dependent on the price transparency of the instruments or market and the instruments' complexity. To increase consistency and enhance disclosure of the fair value of financial instruments, the fair value measurement accounting guidance creates a fair value hierarchy to prioritize the inputs used to measure fair value into three categories. A financial instrument's level within the fair value hierarchy is based on the lowest level of input significant to the fair value measurement, where Level I is the highest and Level 3 is the lowest.

The three levels are defined as follows:

> *Level 1* – Observable inputs such as quoted prices in active markets. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
>
> *Level 2* – Inputs other than quoted prices in active markets that are either directly or indirectly observable. These include quoted market prices for similar assets or liabilities, quoted market prices for identical or similar assets in markets that are not active, adjusted quoted market prices, inputs from observable data such as interest rate and yield curves, volatilities or default rates observable at commonly quoted intervals or inputs derived from observable market data by correlation or other means.
>
> *Level 3* – Unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions. Unobservable inputs should only be used to the extent observable inputs are not available.

CLINIC, along with other Catholic affiliated entities, invests funds with USCCB's third party investment managers through a master trust investment arrangement. The underlying securities of these pooled investment funds classified as level 1 on the fair value hierarchy are valued based on quoted market prices. Those pooled investment funds classified as level 2 on the fair value hierarchy hold underlying investments including other pooled investment funds and common trust funds and are valued based on CLINIC's pro-rate share of the fund.

NOTE E – INVESTMENTS AND FAIR VALUE MEASUREMENT – continued

The following table summarized CLINIC's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2018:

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

The following table summarized CLINIC's fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2017:

	Level 1	Level 2	Level 3	Total
Pooled investment funds:				
USCCB State Street Index	$ 1,875,216	$ -	$ -	$ 1,875,216
USCCB Met West Mgt	1,165,758	-	-	1,165,758
USCCB SSGA Bond Index Fund	-	1,250,700	-	1,250,700
USCCB Champlain Inv. Partners	-	1,271,474	-	1,271,474
CLINIC CBIS Foreign Equity	1,281,318	-	-	1,281,318
Money market funds	1,954,124	-	-	1,954,124
Certificates of deposit	-	902,519	-	902,519
Total Investments	$ 6,276,416	$ 3,424,693	$ -	$ 9,701,109

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2018	2017
Furniture and equipment	$ 344,120	$ 240,941
Leasehold improvements	352,301	352,301
	696,421	593,242
Less: Accumulated depreciation and amortization	(416,843)	(348,904)
Property and Equipment, Net	$ 279,578	$ 244,338

Depreciation and amortization expense for the years ended December 31, 2018 and 2017, totaled $67,938 and $74,601, respectively.

NOTE G – EMPLOYEE BENEFIT PLANS

In 2010, CLINIC established the Catholic Legal Immigration Network, Inc. 403(b) Plan (the "403(b) Plan"). Prior to January 1, 2015, CLINIC matched 100% of employee contributions up to $1,500 per year for participating employees hired prior to January 1, 2008. All employees hired on or after January 1, 2008, received a 200% employer match, up to a maximum of $3,000 per year. In 2014, the CLINIC board approved an amendment to the 403(b) Plan to allow all CLINIC staff to become eligible to receive a two-to-one match of their 403(b) contributions up to $3,000 after one year of employment. This change was effective as of January 1, 2015.

Annual 403(b) Plan expense for the years ended December 31, 2018 and 2017, totaled $125,499 and $111,640, respectively.

CLINIC is a participating employer in a multiemployer defined benefit pension plan (the "Plan"), including USCCB, pursuant to the Plan document. The Plan covers full-time employees of CLINIC hired prior to January 1, 2008, over the age of 25, and who have completed one year of employment.

The Plan does not require a minimum contribution by participating employers. Trustees of the Plan resolved to freeze the Plan effective December 31, 2013.

NOTE G – EMPLOYEE BENEFIT PLANS – continued

The following table summarized the information regarding the Plan as of December 31:

	2018	2017
Plan assets at fair value	$ 58,179,050	$ 66,186,525
Projected benefit obligation	92,461,531	104,191,469
Expected contributions from all employers	1,556,961	1,385,885

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

NOTE H – BOARD DESIGNATED NET ASSETS

Board designated net assets were available for the following purposes as of December 31:

	2018	2017
Endowment	$ 702,881	$ 788,498
Lily Gutierrez Fund	7,686	9,515
Total	$ 710,567	$ 798,013

NOTE I – ENDOWMENT

CLINIC has established a board-designated endowment which includes funds set aside by the Board of Directors to provide general operating support to CLINIC. Since that amount resulted from an internal designation and is not donor restricted, it is classified and reported as net assets without donor restrictions

NOTE I – ENDOWMENT – continued

Return Objectives and Risk Parameters

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

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, CLINIC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). CLINIC targets a diversified asset allocation that provides reasonable and predictable funds for CLINIC's program purposes and to maintain a balance between spending and the protection of the principal.

Spending Policy

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

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

	2018	2017
Endowment net assets, beginning of year	$ 788,498	$ 701,786
Investment return:		
Interest and dividends	29,916	7,736
Net realized and unrealized gains (losses)	(85,617)	86,712
Total Investment Return	(55,701)	94,448
Less: Appropriated for expenditures	(29,916)	(7,736)
Endowment net assets, end of year	$ 702,881	$ 788,498

NOTE J –NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following as of December 31:

	2018	2017
Education and network growth	$ 1,007,165	$ 211,558
Advocacy and community engagement	103,835	156,877
Direct representation	-	123,789
Donor restricted for emergency situations	500,000	500,000
Time restricted	100,000	1,249,996
Total	$ 1,711,000	$ 2,242,220

NOTE K – COMMITMENTS AND CONTINGENCIES

During August 2013, CLINIC entered into a ten-year non-cancelable operating lease agreement for office space for its national office in Silver Spring, Maryland, that ends in August 2023. The office lease includes two five-year options to renew at the lease termination date. The agreement contains tenant allowances for improvements, escalation clauses, and charges for other costs related to the leased space.

During January 2013, CLINIC entered into a non-cancelable operating lease agreement for office space in Oakland, California effective March 1, 2013 through May 31, 2018. On April 1, 2018, this lease was renewed for an additional five years and will now terminate on May 31, 2023. The agreement contains rent abatements, escalation clauses, and charges for other costs related to the leased space.

Rent expense was $321,489 and $294,488 for the years ended December 31, 2018 and 2017, respectively.

The future minimum lease payments required under the operating leases are as follows:

2019	$ 366,870
2020	381,009
2021	395,705
2022	410,971
2023	249,770
Total future mininum lease payments	$ 1,804,325

NOTE K – COMMITMENTS AND CONTINGENCIES – continued

CLINIC entered into lease agreements for office equipment which are scheduled to terminate during 2023. Future minimum lease payments under these leases are as follows:

2019	$	19,329
2020		19,329
2021		19,329
2022		16,701
2023		674
Total	$	75,362

CLINIC receives financial assistance and awards from government agencies. Expenditures of funds under these programs require compliance with grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of CLINIC.

Management is of the opinion that such adjustments, if any, are not expected to materially affect the financial position of CLINIC.

NOTE L – CONCENTRATIONS OF RISK

One donor contributed approximately 27% and 22% of revenue and support for the years ended December 31, 2018 and 2017, respectively.

CLINIC maintains cash balances at several financial institutions. Balances in certain cash accounts occasionally exceed $250,000, the maximum amount insured by the Federal Deposit Insurance Corporation. CLINIC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE M – SUBSEQUENT EVENTS

In preparing these financial statements, CLINIC has evaluated events and transactions for potential recognition or disclosure through June 4, 2019, the date the financial statements were available to be issued. There were no additional events or transactions discovered during the evaluation that require additional recognition or disclosure.