

**CATHOLIC LEGAL IMMIGRATION
NETWORK, INC.**

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2016 AND 2015

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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, 2016 and 2015, 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.

Catholic Legal Immigration Network, Inc.
Independent Auditor's Report
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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, 2016, and 2015, 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.

Jane Maruca & McQuade PA

Washington, DC
May 17, 2017

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 751,512	\$ 222,231
Accounts receivable	16,203	73,926
Contributions receivable, current portion	288,563	974,412
Federal grants receivable	124,313	116,889
Prepaid expenses and other assets	77,497	104,484
Total Current Assets	1,258,088	1,491,942
OTHER ASSETS		
Contributions receivable, net of current portion	125,000	-
Investments	7,903,252	7,764,639
Property and equipment, net	311,739	378,838
Total Other Assets	8,339,991	8,143,477
TOTAL ASSETS	\$ 9,598,079	\$ 9,635,419
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 203,078	\$ 217,756
Accrued expenses	320,138	695,479
Deferred revenue	103,920	50,196
Total Current Liabilities	627,136	963,431
OTHER LIABILITIES		
Deferred rent	250,486	288,534
Total Liabilities	877,622	1,251,965
NET ASSETS		
Unrestricted	6,344,924	6,142,034
Board designated	709,236	675,268
Total Unrestricted	7,054,160	6,817,302
Temporarily restricted	1,666,297	1,566,152
Total Net Assets	8,720,457	8,383,454
TOTAL LIABILITIES AND NET ASSETS	\$ 9,598,079	\$ 9,635,419

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
United States Conference of Catholic Bishops ("USCCB") support	\$ 2,065,308	\$ -	\$ 2,065,308
Religious contracts	1,015,267	-	1,015,267
Professional services fees	861,387	-	861,387
Training and seminars	519,793	-	519,793
Other grants and contributions	655,422	790,000	1,445,422
Federal and state awards	492,245	-	492,245
Membership and other	304,050	-	304,050
Investment income	170,207	-	170,207
In-kind contributions	138,517	-	138,517
Net assets released from restrictions	689,855	(689,855)	-
Total Revenue and Support	6,912,051	100,145	7,012,196
EXPENSES			
Program Services			
Education and network growth	3,770,762	-	3,770,762
Direct representation	971,849	-	971,849
Advocacy and community engagement	858,455	-	858,455
Total Program Services	5,601,066	-	5,601,066
Support Services			
Management and general	765,522	-	765,522
Fundraising and development	308,605	-	308,605
Total Support Services	1,074,127	-	1,074,127
Total Expenses	6,675,193	-	6,675,193
CHANGE IN NET ASSETS	236,858	100,145	337,003
NET ASSETS, beginning of year	6,817,302	1,566,152	8,383,454
NET ASSETS, end of year	\$ 7,054,160	\$ 1,666,297	\$ 8,720,457

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
United States Conference of Catholic Bishops ("USCCB") support	\$ 2,295,951	\$ -	\$ 2,295,951
Religious contracts	1,006,432	-	1,006,432
Professional services fees	901,112	-	901,112
Training and seminars	403,073	-	403,073
Federal awards	367,758	-	367,758
Membership and other	266,150	-	266,150
In-kind contributions	170,864	-	170,864
Other grants and contributions	148,949	3,489,500	3,638,449
Investment income	21,136	-	21,136
Net assets released from restrictions	3,319,207	(3,319,207)	-
Total Revenue and Support	<u>8,900,632</u>	<u>170,293</u>	<u>9,070,925</u>
EXPENSES			
Program Services			
Education and network growth	4,644,251	-	4,644,251
Direct representation	928,388	-	928,388
Advocacy and community engagement	910,279	-	910,279
Total Program Services	<u>6,482,918</u>	<u>-</u>	<u>6,482,918</u>
Support Services			
Management and general	733,023	-	733,023
Fundraising and development	274,449	-	274,449
Total Support Services	<u>1,007,472</u>	<u>-</u>	<u>1,007,472</u>
Total Expenses	<u>7,490,390</u>	<u>-</u>	<u>7,490,390</u>
CHANGE IN NET ASSETS	1,410,242	170,293	1,580,535
NET ASSETS, beginning of year	<u>5,407,060</u>	<u>1,395,859</u>	<u>6,802,919</u>
NET ASSETS, end of year	<u>\$ 6,817,302</u>	<u>\$ 1,566,152</u>	<u>\$ 8,383,454</u>

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Program Services				Support Services			Total
	Education and Network Growth	Direct Representation	Advocacy and Community Engagement	Total Program Services	Management and General	Fundraising and Development	Total Support Services	
Salaries	\$ 1,569,036	\$ 620,971	\$ 442,596	\$ 2,632,603	\$ 429,126	\$ 181,090	\$ 610,216	\$ 3,242,819
Payroll Taxes	116,557	45,900	33,816	196,273	34,246	12,965	47,211	243,484
Employee benefits	207,048	106,536	48,905	362,489	72,777	41,771	114,548	477,037
Total Personnel Cost	1,892,641	773,407	525,317	3,191,365	536,149	235,826	771,975	3,963,340
Audit and accounting	-	-	-	-	15,250	-	15,250	15,250
Bad debt	-	-	-	-	18,800	-	18,800	18,800
Bank charges and credit card fees	-	43	20	63	6,287	48	6,335	6,398
Building maintenance and other	4,694	202	153	5,049	137	61	198	5,247
Communication	51,818	4,700	5,036	61,554	4,050	1,478	5,528	67,082
Conference	107,562	-	28	107,590	-	-	-	107,590
Convening	70,513	15,471	30,861	116,845	15,309	14,824	30,133	146,978
Depreciation and amortization	24,866	7,841	17,003	49,710	13,015	7,841	20,856	70,566
Equipment rental and maintenance	22,821	8,034	8,587	39,442	10,863	2,491	13,354	52,796
Insurance	19,634	6,128	4,679	30,441	3,724	1,709	5,433	35,874
Licenses/practice related fees	8,382	3,748	1,978	14,108	981	570	1,551	15,659
Miscellaneous	-	630	-	630	356	-	356	986
Occupancy	115,649	60,313	51,855	227,817	47,893	18,303	66,196	294,013
Office supplies	14,002	11,863	3,871	29,736	3,062	4,721	7,783	37,519
Postage, shipping and freight	6,818	11,755	833	19,406	1,800	1,889	3,689	23,095
Printing and duplication	3,394	4,434	1,100	8,928	1,762	213	1,975	10,903
Professional services, temporary staff, and consultants	144,191	46,166	56,116	246,473	48,106	8,301	56,407	302,880
Program development and marketing	7,303	2,897	125,920	136,120	4,256	63	4,319	140,439
Reports and state filing fees	-	-	-	-	540	2,382	2,922	2,922
Staff development	9,126	4,523	7,184	20,833	12,404	1,199	13,603	34,436
Sub grants	1,163,948	-	-	1,163,948	-	-	-	1,163,948
Subscriptions, books and reference materials	3,037	1,738	1,487	6,262	830	1,962	2,792	9,054
Training and program materials	12,270	784	-	13,054	-	-	-	13,054
Travel	88,093	7,172	16,427	111,692	19,948	4,724	24,672	136,364
Total Expenses	\$ 3,770,762	\$ 971,849	\$ 858,455	\$ 5,601,066	\$ 765,522	\$ 308,605	\$ 1,074,127	\$ 6,675,193

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015

	Program Services			Support Services			Total	
	Education and Network Growth	Direct Representation	Advocacy and Community Engagement	Total Program Services	Management and General	Fundraising and Development		Total Support Services
Salaries	\$ 1,486,615	\$ 569,747	\$ 425,224	\$ 2,481,586	\$ 405,989	\$ 168,355	\$ 574,344	\$ 3,055,930
Payroll Taxes	115,676	44,333	33,088	193,097	31,591	13,100	44,691	237,788
Employee benefits	167,224	100,584	36,528	304,336	45,098	24,766	69,864	374,200
Total Personnel Cost	1,769,515	714,664	494,840	2,979,019	482,678	206,221	688,899	3,667,918
Audit and accounting	-	-	-	-	16,147	-	16,147	16,147
Bank charges and credit card fees	156	20	-	176	5,336	15	5,351	5,527
Communication	46,580	6,359	7,546	60,485	5,836	1,944	7,780	68,265
Conference	166,738	-	402	167,140	-	-	-	167,140
Convening	52,071	18,699	34,415	105,185	28,613	16,588	45,201	150,386
Depreciation and amortization	24,270	7,400	16,478	48,148	11,065	7,402	18,467	66,615
Equipment rental and maintenance	26,445	11,419	5,380	43,244	5,300	3,245	8,545	51,789
Insurance	15,871	6,425	5,104	27,400	3,466	1,437	4,903	32,303
Licenses/practice related fees	9,815	3,654	1,792	15,261	822	330	1,152	16,413
Occupancy	106,090	57,554	49,070	212,714	50,314	17,378	67,692	280,406
Office supplies	15,083	12,352	4,673	32,108	46,323	2,000	48,323	80,431
Postage, shipping and freight	2,059	9,675	1,715	13,449	1,019	1,302	2,321	15,770
Printing and duplication	5,521	3,930	1,367	10,818	4,999	486	5,485	16,303
Professional services, temporary staff, and consultants	194,614	54,220	139,401	388,235	41,164	8,388	49,552	437,787
Program development and marketing	3,002	3,559	130,203	136,764	231	138	369	137,133
Reports and state filing fees	-	-	130	130	115	2,885	3,000	3,130
Staff development	6,554	6,093	4,426	17,073	6,253	1,436	7,689	24,762
Sub grants	2,091,517	-	-	2,091,517	-	-	-	2,091,517
Subscriptions, books and reference materials	4,464	1,963	592	7,019	3,138	1,304	4,442	11,461
Training and program materials	17,350	1,322	-	18,672	-	-	-	18,672
Travel	86,536	9,080	12,745	108,361	20,205	1,950	22,155	130,516
Total Expenses	<u>\$ 4,644,251</u>	<u>\$ 928,388</u>	<u>\$ 910,279</u>	<u>\$ 6,482,918</u>	<u>\$ 733,023</u>	<u>\$ 274,449</u>	<u>\$ 1,007,472</u>	<u>\$ 7,490,390</u>

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 337,003	\$ 1,580,535
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	70,566	66,615
Net (appreciation) depreciation in fair value of investments	(117,011)	13,546
(Increase) decrease in:		
Accounts receivable	57,723	118,759
Contributions receivable	560,849	(440,990)
Federal grants receivable	(7,424)	(70,399)
Prepaid expenses and other assets	26,987	(27,323)
Increase (decrease) in:		
Accounts payable	(14,678)	19,889
Accrued expenses	(375,341)	207,825
Deferred revenue	53,724	(94,779)
Deferred rent	(38,048)	(38,048)
Net Cash Provided by Operating Activities	554,350	1,335,630
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	(28,256)	(6,877,000)
Proceeds from sales of certificates of deposit	132,050	4,659,000
Net purchases of pooled investments	(125,395)	(248,007)
Purchases of property and equipment	(3,468)	(19,354)
Net Cash Used for Investing activities	(25,069)	(2,485,361)
NET CHANGE IN CASH AND CASH EQUIVALENTS	529,281	(1,149,731)
CASH AND CASH EQUIVALENTS, beginning of year	222,231	1,371,962
CASH AND CASH EQUIVALENTS, end of year	\$ 751,512	\$ 222,231

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

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.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) topic of Not-for-Profit Entities. 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 CLINIC and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of CLINIC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by CLINIC. CLINIC had no permanently restricted net assets as of December 31, 2016 and 2015.

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.

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, 2016 and 2015.

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.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments

Investments consist of 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 and Catholic Relief Services (“CRS”); however, the 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.

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.

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. 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 expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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 years ended December 31, 2016 and 2015, CLINIC received donated good and services in the amount of \$138,517 and \$170,864, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis. Expenses directly related to program and support services are charged to those services as incurred. Accordingly, certain shared costs have been allocated among the programs and supported services benefited.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to present year presentation. Such reclassification had no effect on previously reported net assets or the 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, 2013 through 2015, are open for examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE D – 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.

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 1 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.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(continued)

NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENT - continued

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.

The following table summarized CLINIC’s fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investment funds:				
USCCB State Street Index	\$ 644,088	\$ -	\$ -	\$ 644,088
USCCB Met West Mgt	214,061	-	-	214,061
USCCB SSGA Bond Index Fund	-	290,278	-	290,278
USCCB Champlain Inv. Partners	225,391	-	-	225,391
CLINIC CBIS Foreign Eq	-	213,150	-	213,150
Money market funds	109,539	-	-	109,539
Certificates of deposit	-	6,206,745	-	6,206,745
Total Investments	<u>\$ 1,193,079</u>	<u>\$ 6,710,173</u>	<u>\$ -</u>	<u>\$ 7,903,252</u>

The following table summarized CLINIC’s fair value hierarchy for financial instruments measured at fair value on a recurring basis as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled investment funds:				
USCCB State Street Index	\$ 598,268	\$ -	\$ -	\$ 598,268
USCCB Met West Mgt	215,696	-	-	215,696
USCCB SSGA Bond Index Fund	-	282,928	-	282,928
USCCB Champlain Inv. Partners	191,430	-	-	191,430
CLINIC CBIS Foreign Eq	-	209,059	-	209,059
Money market funds	301,043	-	-	301,043
Certificates of deposit	-	5,966,215	-	5,966,215
Total Investments	<u>\$ 1,306,437</u>	<u>\$ 6,458,202</u>	<u>\$ -</u>	<u>\$ 7,764,639</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
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NOTE D – INVESTMENTS AND FAIR VALUE MEASUREMENT - continued

Investment income consisted of the following for the years ended:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 53,196	\$ 34,682
Net appreciation (depreciation) in net fair value	<u>117,011</u>	<u>(13,546)</u>
Net Investment Income	<u>\$ 170,207</u>	<u>\$ 21,136</u>

NOTE E – PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 240,941	\$ 240,941
Leasehold improvements	<u>345,101</u>	<u>341,634</u>
	586,042	582,575
Less: Accumulated depreciation and amortization	<u>(274,303)</u>	<u>(203,737)</u>
Property and Equipment, Net	<u>\$ 311,739</u>	<u>\$ 378,838</u>

Depreciation and amortization expense for the years ended December 31, 2016 and 2015, totaled \$70,566 and \$66,615, respectively.

NOTE F – 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 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, 2016 and 2015, totaled \$111,660 and \$111,248, respectively.

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NOTE F – EMPLOYEE BENEFIT PLANS – continued

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.

During the Plan years ended December 31, 2016 and 2015, CLINIC’s portion of expected return on Plan assets exceeded CLINIC’s portion of other net periodic pension cost components, resulting in a receivable and reduction to expense of \$79,450 and \$112,531 for 2016 and 2015, respectively. The Agreement does not require a minimum contribution by participating employers. Trustees of the Plan resolved to freeze the Plan effective December 31, 2013.

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

	2016	2015
Plan assets at fair value	\$ 60,092,035	\$ 57,887,209
Projected benefit obligation	100,044,664	99,114,433
Expected contributions from all employers	1,504,300	2,475,676

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 G – BOARD DESIGNATED NET ASSETS

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

	2016	2015
Endowment	\$ 701,786	\$ 669,409
Lily Gutierrez Fund	7,450	5,859
Total	\$ 709,236	\$ 675,268

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE H – 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 unrestricted net assets.

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:

	<u>2016</u>	<u>2015</u>
Endowment net assets, beginning of year	\$ 669,409	\$ 673,476
Investment return:		
Interest and dividends	7,320	6,949
Net realized and unrealized gains (losses)	<u>32,377</u>	<u>(4,067)</u>
Total Investment Return	39,697	2,882
Less: Appropriated for expenditures	<u>(7,320)</u>	<u>(6,949)</u>
Endowment net assets, end of year	<u>\$ 701,786</u>	<u>\$ 669,409</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
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NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Education and network growth	\$ 846,997	\$ 981,262
Management and general	-	5,750
Advocacy and community engagement	169,300	79,140
Direct representation	150,000	-
Donor restricted for emergency situations	500,000	500,000
Total	<u>\$ 1,666,297</u>	<u>\$ 1,566,152</u>

NOTE J – 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. The office lease includes an option to renew for an additional 5 year lease term. The agreement contains rent abatements, escalation clauses, and charges for other costs related to the leased space.

Rent expense was \$288,655 and \$275,378 for the years ended December 31, 2016 and 2015, respectively.

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

2017	\$ 328,649
2018	317,954
2019	313,756
2020	326,302
2021	339,357
Thereafter	563,535
Total future minimum lease payments	<u>\$ 2,189,553</u>

The 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 the CLINIC.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.
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NOTE J – COMMITMENTS AND CONTINGENCIES – continued

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

NOTE K – CONCENTRATIONS OF RISK

One donor contributed approximately 25% and 35% of other grants and contributions for the years ended December 31, 2016 and 2015, 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 L – SUBSEQUENT EVENTS

In preparing these financial statements, CLINIC has evaluated events and transactions for potential recognition or disclosure through May 17, 2017, 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.