

FINANCIAL STATEMENTS



CATHOLIC LEGAL
IMMIGRATION
NETWORK, INC.

**FOR THE YEARS ENDED
DECEMBER 31, 2022 AND 2021**

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Catholic Legal Immigration Network, Inc. (CLINIC), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CLINIC as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CLINIC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CLINIC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CLINIC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CLINIC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Freedman".

June 28, 2023

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 407,530	\$ 1,678,914
Investments	13,232,983	15,182,099
Accounts receivable	179,689	270,177
Contributions receivable	196,986	283,958
Federal grants receivable	108,766	-
Prepaid expenses	<u>122,073</u>	<u>155,158</u>
Total current assets	14,248,027	17,570,306
PROPERTY AND EQUIPMENT		
Property and equipment, net	<u>39,873</u>	<u>94,565</u>
TOTAL ASSETS	<u>\$ 14,287,900</u>	<u>\$ 17,664,871</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued liabilities	\$ 968,443	\$ 954,398
Deferred revenue	315,509	255,666
Short term lease liability	<u>22,195</u>	<u>38,048</u>
Total current liabilities	1,306,147	1,248,112

NONCURRENT LIABILITIES

Deferred rent, net of current portion	<u>-</u>	<u>22,195</u>
Total liabilities	<u>1,306,147</u>	<u>1,270,307</u>

NET ASSETS

Without donor restrictions	10,456,655	13,028,341
Board designated	<u>1,918,867</u>	<u>1,912,247</u>
Total net assets without donor restrictions	12,375,522	14,940,588
With donor restrictions	<u>606,231</u>	<u>1,453,976</u>
Total net assets	<u>12,981,753</u>	<u>16,394,564</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,287,900</u>	<u>\$ 17,664,871</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and contributions	\$ 2,606,301	\$ 52,500	\$ 2,658,801
Religious contracts	1,424,071	-	1,424,071
Contributed services	1,100,390	-	1,100,390
Training and seminars	803,905	-	803,905
Membership and other	494,450	-	494,450
Professional service fees	334,709	-	334,709
Federal and state awards	281,267	-	281,267
Investment income, net	146,183	-	146,183
Net assets released from donor restrictions	<u>900,245</u>	<u>(900,245)</u>	<u>-</u>
Total support and revenue	<u>8,091,521</u>	<u>(847,745)</u>	<u>7,243,776</u>
EXPENSES			
Program Services:			
Education and Network Growth	4,258,016	-	4,258,016
Direct Representation and Litigation	2,772,183	-	2,772,183
Advocacy and Community Engagement	<u>1,034,298</u>	<u>-</u>	<u>1,034,298</u>
Total program services	<u>8,064,497</u>	<u>-</u>	<u>8,064,497</u>
Supporting Services:			
Management and General	2,312,967	-	2,312,967
Fundraising and Development	<u>279,123</u>	<u>-</u>	<u>279,123</u>
Total supporting services	<u>2,592,090</u>	<u>-</u>	<u>2,592,090</u>
Total expenses	<u>10,656,587</u>	<u>-</u>	<u>10,656,587</u>
Changes in net assets	(2,565,066)	(847,745)	(3,412,811)
Net assets at beginning of year	<u>14,940,588</u>	<u>1,453,976</u>	<u>16,394,564</u>
NET ASSETS AT END OF YEAR	<u>\$ 12,375,522</u>	<u>\$ 606,231</u>	<u>\$ 12,981,753</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and contributions	\$ 404,326	\$ 3,967,020	\$ 4,371,346
In-kind contributions	2,017,970	-	2,017,970
Religious contracts	1,232,640	-	1,232,640
Investment income, net	1,069,167	-	1,069,167
Training and seminars	905,875	-	905,875
United States Conference of Catholic Bishops (USCCB) Support	834,787	-	834,787
Professional service fees	501,149	-	501,149
Membership and other	483,250	-	483,250
Federal and state awards	175,056	-	175,056
Net assets released from donor restrictions	<u>3,891,205</u>	<u>(3,891,205)</u>	<u>-</u>
Total support and revenue	<u>11,515,425</u>	<u>75,815</u>	<u>11,591,240</u>
EXPENSES			
Program Services:			
Education and Network Growth	5,330,080	-	5,330,080
Direct Representation and Litigation	3,308,805	-	3,308,805
Advocacy and Community Engagement	<u>963,432</u>	<u>-</u>	<u>963,432</u>
Total program services	<u>9,602,317</u>	<u>-</u>	<u>9,602,317</u>
Supporting Services:			
Management and General	1,458,459	-	1,458,459
Fundraising and Development	<u>259,881</u>	<u>-</u>	<u>259,881</u>
Total supporting services	<u>1,718,340</u>	<u>-</u>	<u>1,718,340</u>
Total expenses	<u>11,320,657</u>	<u>-</u>	<u>11,320,657</u>
Changes in net assets before other item	194,768	75,815	270,583
OTHER ITEM			
Extinguishment of debt	<u>1,078,700</u>	<u>-</u>	<u>1,078,700</u>
Changes in net assets after other item	1,273,468	75,815	1,349,283
Net assets at beginning of year	<u>13,667,120</u>	<u>1,378,161</u>	<u>15,045,281</u>
NET ASSETS AT END OF YEAR	<u>\$ 14,940,588</u>	<u>\$ 1,453,976</u>	<u>\$ 16,394,564</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services				Supporting Services			Total Expenses
	Education and Network Growth	Direct Representation and Litigation	Advocacy and Community Engagement	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	
Salaries	\$ 1,800,010	\$ 1,044,794	\$ 595,708	\$ 3,440,512	\$ 1,384,759	\$ 157,667	\$ 1,542,426	\$ 4,982,938
Payroll taxes	160,621	93,374	56,082	310,077	119,110	13,880	132,990	443,067
Employee benefits	357,956	162,287	102,965	623,208	218,770	28,707	247,477	870,685
Total personnel cost	2,318,587	1,300,455	754,755	4,373,797	1,722,639	200,254	1,922,893	6,296,690
Professional services, temporary staff, and consultants	69,817	1,144,688	114,664	1,329,169	279,189	9,316	288,505	1,617,674
Sub grants	1,428,066	3,000	-	1,431,066	-	-	-	1,431,066
Occupancy	132,519	82,399	60,889	275,807	79,746	18,513	98,259	374,066
IT services, equipment and software	109,030	91,328	37,519	237,877	50,738	14,433	65,171	303,048
Subscriptions, books and reference materials	38,474	45,101	7,876	91,451	960	1,888	2,848	94,299
Staff development	8,301	6,987	2,476	17,764	58,292	2,594	60,886	78,650
Travel	15,662	7,295	3,285	26,242	32,271	2,163	34,434	60,676
Depreciation and amortization	13,042	10,938	10,938	34,918	14,304	5,470	19,774	54,692
Insurance	16,934	17,244	6,489	40,667	8,848	1,779	10,627	51,294
Bank charges and credit card fees	35,225	6,584	936	42,745	2,924	3,440	6,364	49,109
Audit and accounting	-	-	-	-	35,236	-	35,236	35,236
Convening	11,408	7,185	7,185	25,778	3,593	3,593	7,186	32,964
Licenses/practice related fees	15,149	8,859	2,851	26,859	1,928	1,155	3,083	29,942
Communication	13,104	5,586	3,719	22,409	5,692	679	6,371	28,780
Printing and duplication	10,046	6,278	4,542	20,866	5,911	827	6,738	27,604
Postage, shipping and freight	3,861	14,578	719	19,158	2,734	1,156	3,890	23,048
Program development and marketing	699	2,576	12,732	16,007	3,525	585	4,110	20,117
Training and program materials	12,871	5,574	-	18,445	-	-	-	18,445
Office supplies	2,581	3,301	1,064	6,946	1,380	395	1,775	8,721
Reports and state filing fees	-	-	-	-	-	7,879	7,879	7,879
Equipment rental and maintenance	1,278	955	698	2,931	1,323	2,848	4,171	7,102
Building maintenance and other	1,362	1,272	961	3,595	1,372	156	1,528	5,123
Miscellaneous	-	-	-	-	362	-	362	362
TOTAL	\$ 4,258,016	\$ 2,772,183	\$ 1,034,298	\$ 8,064,497	\$ 2,312,967	\$ 279,123	\$ 2,592,090	\$ 10,656,587

See accompanying notes to financial statements.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services			Total Expenses
	Education and Network Growth	Direct Representation and Litigation	Advocacy and Community Engagement	Total Program Services	Management and General	Fundraising and Development	Total Supporting Services	
Salaries	\$ 2,434,060	\$ 823,317	\$ 525,387	\$ 3,782,764	\$ 722,823	\$ 135,687	\$ 858,510	\$ 4,641,274
Employee benefits	443,556	140,260	90,443	674,259	121,296	19,286	140,582	814,841
Payroll taxes	188,810	63,781	41,154	293,745	55,335	10,816	66,151	359,896
Total personnel cost	3,066,426	1,027,358	656,984	4,750,768	899,454	165,789	1,065,243	5,816,011
Professional services, temporary staff, and consultants	208,925	2,039,814	147,185	2,395,924	203,430	26,316	229,746	2,625,670
Sub grants	1,429,743	-	-	1,429,743	-	-	-	1,429,743
Occupancy	125,943	89,198	54,947	270,088	67,165	24,913	92,078	362,166
IT services, equipment and software	176,201	64,300	44,784	285,285	58,846	10,766	69,612	354,897
Staff development	11,249	4,439	320	16,008	145,909	2,352	148,261	164,269
Subscriptions, books and reference materials	47,982	27,117	15,262	90,361	1,813	3,455	5,268	95,629
Insurance	39,607	12,341	7,590	59,538	9,992	2,256	12,248	71,786
Depreciation and amortization	16,172	5,381	12,821	34,374	14,937	5,381	20,318	54,692
Bank charges and credit card fees	41,907	1,278	823	44,008	2,298	2,605	4,903	48,911
Training and program materials	46,318	197	177	46,692	-	-	-	46,692
Communication	22,074	8,607	4,914	35,595	5,757	1,324	7,081	42,676
Printing and duplication	14,183	9,152	5,520	28,855	5,517	2,125	7,642	36,497
Travel	23,998	750	32	24,780	8,963	368	9,331	34,111
Convening	29,904	-	-	29,904	-	-	-	29,904
Audit and accounting	-	-	-	-	28,145	-	28,145	28,145
Licenses/practice related fees	15,669	4,878	2,037	22,584	1,324	438	1,762	24,346
Postage, shipping and freight	5,372	9,197	280	14,849	1,570	916	2,486	17,335
Program development and marketing	3,012	364	7,658	11,034	515	-	515	11,549
Office supplies	2,899	2,406	907	6,212	1,276	702	1,978	8,190
Reports and state filing fees	30	-	-	30	125	8,017	8,142	8,172
Equipment rental and maintenance	1,576	1,172	672	3,420	892	2,016	2,908	6,328
Building maintenance and other	690	856	519	2,065	531	142	673	2,738
Miscellaneous	200	-	-	200	-	-	-	200
TOTAL	\$ 5,330,080	\$ 3,308,805	\$ 963,432	\$ 9,602,317	\$ 1,458,459	\$ 259,881	\$ 1,718,340	\$ 11,320,657

See accompanying notes to financial statements.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (3,412,811)	\$ 1,349,283
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation and amortization	54,692	54,692
Net depreciation (appreciation) in fair value of investments	1,623	(1,002,646)
Extinguishment of debt	-	(1,078,700)
Decrease (increase) in:		
Accounts receivable	90,488	78,259
Contributions receivable	86,972	(223,304)
Federal grants receivable	(108,766)	-
Prepaid expenses	33,085	33,488
Increase (decrease) in:		
Accounts payable and accrued liabilities	14,045	(74,975)
Deferred revenue	59,843	133,359
Deferred rent	(38,048)	(38,805)
Net cash used by operating activities	<u>(3,218,877)</u>	<u>(769,349)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(152,657)	(88,809)
Proceeds from sale of investments	<u>2,100,150</u>	<u>79,401</u>
Net cash provided (used) by investing activities	<u>1,947,493</u>	<u>(9,408)</u>
Net decrease in cash and cash equivalents	(1,271,384)	(778,757)
Cash and cash equivalents at beginning of year	<u>1,678,914</u>	<u>2,457,671</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 407,530</u>	<u>\$ 1,678,914</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

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

CLINIC operates three major programs, Education and Network Growth, Direct Representation and Litigation, 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, oversight and commitment to Catholic Social Teaching.

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

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

Basis of presentation -

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

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Net assets may be subject to donor-imposed stipulations that are more restrictive than CLINIC's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

New accounting pronouncements adopted -

During the year ended December 31, 2022, CLINIC adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

During the year ended December 31, 2022, CLINIC adopted ASU 2019-01, *Leases* (Topic 842), which changed the accounting treatment for operating leases by requiring CLINIC to consider recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. CLINIC applied the new standard at the date of initial application and also the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. See Note 10 for further detail, which changed the accounting treatment for operating leases by lessees.

Cash and cash equivalents -

CLINIC considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds held by investment managers in the amounts of \$13,231,929 and \$15,178,676 as of December 31, 2022 and 2021, respectively.

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

Investments -

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

Accounts receivable -

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

Federal grant and contributions receivable -

Federal grant and contributions receivable are recorded at their net realizable value, which approximates fair value. Federal grant receivable balance is assessed based on management knowledge of the federal grant, awarding agency and the age of the receivable balance.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Federal grant and contributions receivable (continued) -

As a result of these reviews, account balances deemed to be uncollectable are written off and expensed as uncollectable accounts receivable. Unconditional contributions that have not been collected as of year-end are recorded as contributions receivable. Management believes that the unconditional promises to give are fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Property and equipment in excess of \$5,000 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally five to ten years. Leasehold improvements are amortized over the shorter of the remaining life of the lease or useful life of the asset. The cost of maintenance and repairs is recorded as expenses as incurred. Depreciation and amortization expense was \$54,692 for each of the years ended December 31, 2022 and 2021.

Income taxes -

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

Uncertain tax positions -

For the years ended December 31, 2022 and 2021, CLINIC has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Support and revenue -

CLINIC receives contributions as well as contracts and grants with the U.S. and state governments, the United States Conference of Catholic Bishops (USCCB) and other organizations. Contributions and grants are recognized in the appropriate category of net assets in the period received. CLINIC performs an analysis of the individual contribution, grant and contract to determine if the revenue streams follow the contributions rules or if considered an exchange transaction depending on whether the transaction is reciprocal or nonreciprocal under ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. For contributions and grants qualifying under the contributions rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable.

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Support and revenue (continued) -

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

For contributions and grants treated as conditional contributions, CLINIC had approximately \$936,000 and \$44,000, respectively, in unrecognized conditional awards as of December 31, 2022 and 2021.

Contracts classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers*, and record revenue when the performance obligations are met. CLINIC has elected to opt out of all (or certain) disclosures not required for nonpublic entities. Transaction price is based on cost. Funding received in advance of satisfying performance obligations are recorded as deferred revenue.

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

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

Revenue received in advance for religious contracts, membership, trainings, seminars, and professional service fees are recorded as deferred revenue within the Statements of Financial Position.

Deferred revenue totaled \$122,307 at January 1, 2021. Deferred revenue consisted of the following as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Professional service fees	\$ 192,810	\$ 149,093
Trainings and seminars	121,199	82,073
Membership	<u>1,500</u>	<u>24,500</u>
TOTAL DEFERRED REVENUE	<u>\$ 315,509</u>	<u>\$ 255,666</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

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

Contributed services -

Contributed services consist of donated legal services and advertising services. Goods donated for distribution for CLINIC's programs are recorded at their fair market value as of the date of the gift. Contributed services are recorded at their estimated fair value 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 CLINIC. In addition, volunteers have donated significant amounts of their time to CLINIC; these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

Use of estimates -

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

Functional allocation of expenses -

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

Risks and uncertainties -

CLINIC invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

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

New accounting pronouncement not yet adopted -

Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses* (Topic 326), replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU is effective for CLINIC for the year ending December 31, 2023. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach.

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

2. INVESTMENTS

In accordance with FASB ASC 820, *Fair Value Measurement*, CLINIC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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

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

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

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

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the years ended December 31, 2022 and 2021. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money Market Funds* - The money market funds are open-end funds that are registered with the Securities and Exchange Commission (SEC) and are deemed to be actively traded.
- *Mutual Funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by CLINIC are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by CLINIC are deemed to be actively traded.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

2. INVESTMENTS (Continued)

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy at December 31, 2022.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Money market funds	\$ 13,231,929	\$ -	\$ -	\$ 13,231,929
Mutual funds	<u>1,054</u>	<u>-</u>	<u>-</u>	<u>1,054</u>
TOTAL	<u>\$ 13,232,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,232,983</u>

The table below summarizes the investments measured at fair value on a recurring basis, by level within the fair value hierarchy at December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Money market funds	\$ 15,178,676	\$ -	\$ -	\$ 15,178,676
Mutual funds	<u>3,423</u>	<u>-</u>	<u>-</u>	<u>3,423</u>
TOTAL	<u>\$ 15,182,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,182,099</u>

Included in investment income are the following:

	<u>2022</u>	<u>2021</u>
Net (depreciation) appreciation in fair value	\$ (1,623)	\$ 1,002,646
Interest and dividends	147,956	86,254
Investment expenses provided by external investment advisors	<u>(150)</u>	<u>(19,733)</u>
TOTAL INVESTMENT INCOME, NET OF INVESTMENT EXPENSES	<u>\$ 146,183</u>	<u>\$ 1,069,167</u>

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 343,586	\$ 343,586
Leasehold improvements	<u>352,301</u>	<u>352,301</u>
Total property and equipment	695,887	695,887
Less: Accumulated depreciation and amortization	<u>(656,014)</u>	<u>(601,322)</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 39,873</u>	<u>\$ 94,565</u>

4. LOAN PAYABLE

On April 18, 2020, CLINIC received loan proceeds in the amount of \$1,078,700 under the Paycheck Protection Program. The promissory note called for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months.

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

4. LOAN PAYABLE (Continued)

During the year ended December 31, 2021, CLINIC used the proceeds for purposes consistent with the Paycheck Protection Program and applied for forgiveness subsequent to the 24-week period stipulated by the terms. On June 11, 2021, CLINIC received notice that the loan was forgiven in its entirety, both interest and principle. This amount is recorded as "Extinguishment of debt," which is an other item on the 2021 Statement of Activities and Changes in Net Assets.

5. BOARD DESIGNATED NET ASSETS

As of December 31, 2022 and 2021, net assets without donor restrictions have been designated by the Board of Directors for the following purposes:

	<u>2022</u>	<u>2021</u>
Endowment	\$ 1,882,699	\$ 1,882,699
Lily Gutierrez Fund	<u>36,168</u>	<u>29,548</u>
BOARD DESIGNATED NET ASSETS	<u>\$ 1,918,867</u>	<u>\$ 1,912,247</u>

6. ENDOWMENT

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

Endowment net asset composition by type of fund as of December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board Designated Endowment Funds	<u>\$ 1,882,699</u>	<u>\$ -</u>	<u>\$ 1,882,699</u>

Changes in endowment net assets for the year ended December 31, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 1,882,699</u>	<u>\$ -</u>	<u>\$ 1,882,699</u>
Investment return:			
Interest and dividends	37,953	-	37,953
Appropriation of endowment assets for expenditure	<u>(37,953)</u>	<u>-</u>	<u>(37,953)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 1,882,699</u>	<u>\$ -</u>	<u>\$ 1,882,699</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

6. ENDOWMENT (Continued)

Endowment net asset composition by type of fund as of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board Designated Endowment Funds	<u>\$ 1,882,699</u>	<u>\$ -</u>	<u>\$ 1,882,699</u>

Changes in endowment net assets for the year ended of December 31, 2021:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 1,544,396</u>	<u>\$ -</u>	<u>\$ 1,544,396</u>
Investment return:			
Interest and dividends	24,146	-	24,146
Net appreciation in fair value of investments	<u>338,303</u>	<u>-</u>	<u>338,303</u>
Total investment return	362,449	-	362,449
Appropriation of endowment assets for expenditure	<u>(24,146)</u>	<u>-</u>	<u>(24,146)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 1,882,699</u>	<u>\$ -</u>	<u>\$ 1,882,699</u>

Return Objectives and Risk Parameters -

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

Strategies Employed for Achieving Objectives -

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

Spending Policy -

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose:		
Donor restricted for emergency situations	\$ 500,000	\$ 500,000
Advocacy and Community Engagement	41,307	61,818
Education and Network Growth	20,282	455,464
Direct Representation and Litigation	<u>7,142</u>	<u>37,500</u>
Subtotal	568,731	1,054,782
Subject to passage of time	<u>37,500</u>	<u>399,194</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 606,231</u>	<u>\$ 1,453,976</u>

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

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Education and Network Growth	\$ 435,182	\$ 2,622,088
Advocacy and Community Engagement	35,511	70,807
Direct Representation and Litigation	30,358	-
Timing restrictions accomplished	<u>399,194</u>	<u>1,198,310</u>
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 900,245</u>	<u>\$ 3,891,205</u>

8. LIQUIDITY AND AVAILABILITY

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

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 407,530	\$ 1,678,914
Investments	13,232,983	15,182,099
Accounts receivable	179,689	270,177
Contributions receivable	196,986	283,958
Federal grants receivable	<u>108,766</u>	<u>-</u>
Subtotal financial assets available within one year	14,125,954	17,415,148
Less: Donor restricted funds, net of time restricted funds which will become available in the next 12 months	(568,731)	1,054,782
Less: Board designated funds	<u>(1,918,867)</u>	<u>(1,912,247)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 11,638,356</u>	<u>\$ 16,557,683</u>

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

8. LIQUIDITY AND AVAILABILITY (Continued)

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

9. CONTRIBUTED SERVICES

During the years ended December 31, 2022 and 2021, CLINIC was the beneficiary of services which allowed CLINIC to provide greater resources toward various programs. There were no donor-imposed restrictions associated with the in-kind contributions during the year ended December 31, 2022.

To properly reflect total program expenses, the following donations have been included in revenue and expense for the years ended December 31, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Legal services	\$ 1,096,673	\$ 2,008,880
Advertising services	<u>3,717</u>	<u>9,090</u>
TOTAL	<u>\$ 1,100,390</u>	<u>\$ 2,017,970</u>

The following programs have benefited from these donated services:

	<u>2022</u>	<u>2021</u>
Direct Representation and Litigation	\$ 1,052,083	\$ 1,994,737
Advocacy and Community Engagement	3,832	9,090
Management and General	<u>44,475</u>	<u>14,143</u>
TOTAL	<u>\$ 1,100,390</u>	<u>\$ 2,017,970</u>

10. LEASE COMMITMENTS

CLINIC leases office space in Maryland under a ten-year agreement, which originated in August 2013 and will terminate in 2023. The agreement includes tenant allowances for improvements, escalation clauses, and charges for other costs related to the leased space.

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

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

10. LEASE COMMITMENTS (Continued)

ASU 2019-01, *Leases* (Topic 842), changes the accounting treatment for operating leases by requiring the consideration of recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. CLINIC elected to implement the ASU at the date of initial application and elected the practical expedient package to not reassess at adoption (i) expired or existing contracts whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. CLINIC also elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. CLINIC adopted the package of practical expedients to not perform any lease reclassification, did not reevaluate embedded leases and did not reassess initial direct costs.

As of December 31, 2022 and 2021, the short term lease liability totaled \$22,195 and \$60,243, respectively.

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

Year Ending December 31, 2023	\$ <u>235,082</u>
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Rent expense was \$374,066 and \$362,166 for the years ended December 31, 2022 and 2021, respectively.

In May 2023, CLINIC entered into a new lease agreement for office space in Silver Spring, Maryland. The lease will begin when the Landlord has substantially completed the office improvements and will terminate on the last day of the 65th full calendar month thereafter. Base rent will be \$9,734 with annual escalations of 2.5%. The lease includes a rent abatement for the first five months of the lease.

11. RETIREMENT PLAN

In 2010, CLINIC established the Catholic Legal Immigration Network, Inc. 403(b) Plan (the 403(b) Plan). Prior to January 1, 2015, CLINIC matched 100% of employee contributions up to \$1,500 per year for participating employees hired prior to January 1, 2008. All employees hired on or after January 1, 2008, received a 200% employer match, up to \$3,000 per year. In 2014, CLINIC's 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, 2022 and 2021, totaled \$137,108 and \$156,066, respectively.

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

The following table summarizes the information regarding the Plan as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Plan Assets at Fair Value	\$ 59,305,881	\$ 78,407,681
Projected Benefit Obligation	\$ 75,868,152	\$ 99,754,077

CATHOLIC LEGAL IMMIGRATION NETWORK, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

11. RETIREMENT PLAN (Continued)

The risks of participating in a multiemployer defined benefit pension plan are 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.

12. SUBSEQUENT EVENTS

In preparing these financial statements, CLINIC has evaluated events and transactions for potential recognition or disclosure through June 28, 2023, the date the financial statements were issued.