

**The Children's Law Center, Inc.**  
**Financial Statements**  
**September 30, 2016 and 2015**



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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
The Children's Law Center, Inc.  
Washington, DC

We have audited the accompanying financial statements of The Children's Law Center, Inc., a not-for-profit organization, which comprise the statements of financial position as of September 30, 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.

### **Auditors' 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 auditors' 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 auditors consider 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 The Children's Law Center, Inc. as of September 30, 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.

*Sydney Lember + Co., LLP*

February 6, 2017

**THE CHILDREN'S LAW CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION**

	SEPTEMBER 30,	
<b>ASSETS</b>	2016	2015
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents:		
Checking and money market accounts	\$ 2,327,013	\$ 2,168,619
Restricted cash	57,217	57,211
Total cash and cash equivalents	\$ 2,384,230	\$ 2,225,830
Receivables:		
Contracts receivable	\$ 525,358	\$ 509,660
Contributions and grants receivable	529,256	231,333
Annual event pledges receivable	463,250	258,345
Total receivables	\$ 1,517,864	\$ 999,338
Prepaid expenses and other current assets	202,474	195,542
Other investments - certificates of deposit	980,566	965,154
Subtotal	\$ 2,700,904	\$ 2,160,034
<b>TOTAL CURRENT ASSETS</b>	\$ 5,085,134	\$ 4,385,864
<b>NONCURRENT ASSETS:</b>		
Contributions and grants receivable, net of current	\$ 253,120	\$ 53,667
Investments	454,647	279,973
Property and equipment, net	144,713	196,051
Security deposit and other noncurrent assets	110,047	114,390
<b>TOTAL NONCURRENT ASSETS</b>	\$ 962,527	\$ 644,081
<b>TOTAL ASSETS</b>	\$ 6,047,661	\$ 5,029,945
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 61,617	\$ 72,164
Accrued expenses	247,298	238,018
Deferred tenant improvement allowance	14,691	13,321
<b>TOTAL LIABILITIES</b>	\$ 323,606	\$ 323,503
<b>NET ASSETS:</b>		
Unrestricted	\$ 4,560,910	\$ 4,218,872
Temporarily restricted	1,163,145	487,570
<b>TOTAL NET ASSETS</b>	\$ 5,724,055	\$ 4,706,442
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 6,047,661	\$ 5,029,945

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



**THE CHILDREN'S LAW CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Services					Supporting Services		Totals
	Guardian Ad Litem	Families First	Healthy Together	Policy Work and Advocacy	Consortium	Program Services	General and Administrative	
<b>Personnel expenses:</b>								
Compensation	\$ 2,998,798	\$ 503,947	\$ 787,560	\$ 417,450	\$ -	\$ 4,707,755	\$ 243,157	\$ 308,722
Benefits	589,165	100,144	138,401	71,100	-	898,810	36,918	56,950
Payroll taxes	231,662	38,926	60,832	32,253	-	363,673	18,683	23,867
Total personnel	\$ 3,819,625	\$ 643,017	\$ 986,793	\$ 520,803	\$ -	\$ 5,970,238	\$ 298,758	\$ 389,539
Amortization	13,303	3,379	4,251	8,410	-	29,343	526	3,568
Client costs	12,797	1,363	5,118	170	-	19,448	-	-
Communications	71,719	10,528	15,889	9,284	-	107,420	7,692	6,887
Cost of litigation	14,300	4,620	43,505	-	-	62,425	-	-
Depreciation	43,885	7,646	10,632	4,880	-	67,043	3,201	3,779
Direct mail	-	-	-	-	-	-	-	5,339
Donated goods and services	70,155	12,332	19,611	-	-	102,098	7,820	1,121
Donated legal services	53,605	73,333	16,100	-	-	143,038	-	-
Equipment maintenance	42,427	7,485	10,398	7,500	-	67,810	18,872	8,112
Independent contractors	1,087	1,059	1,065	1,203	19,919	24,333	30,565	44,092
Insurance	26,256	4,551	6,364	2,921	-	40,092	1,093	898
Legal library	30,422	5,421	8,302	4,526	-	48,671	2,555	1,757
Meetings	638	544	565	923	2,479	5,149	3,080	3,258
Membership dues	12,403	1,905	3,238	1,876	35,816	55,238	1,435	118
Office rent and occupancy	661,436	115,345	160,210	73,573	-	1,010,564	66,142	58,932
Office supplies	19,733	3,979	4,881	2,185	29	30,807	1,100	1,859
Other events expense	493	90	112	-	-	695	-	-
Postage	3,741	772	1,442	428	-	6,383	2,093	1,729
Printing and design	3,617	1,341	1,733	11,000	933	18,624	416	11,440
Professional development	25,023	3,882	4,355	1,143	96	34,499	1,702	2,048
Professional fees	18,909	3,321	4,581	2,103	-	28,914	38,462	1,985
Recruiting	2,851	361	494	90	-	3,796	2,022	740
Staff costs	12,342	2,591	2,225	1,455	-	18,613	1,117	2,014
Transportation	105,186	9,264	23,404	3,294	-	141,148	1,119	2,249
<b>TOTAL EXPENSES</b>	<b>\$ 5,065,953</b>	<b>\$ 918,129</b>	<b>\$ 1,335,268</b>	<b>\$ 657,767</b>	<b>\$ 59,272</b>	<b>\$ 8,036,389</b>	<b>\$ 489,770</b>	<b>\$ 551,464</b>
								<b>\$ 9,077,623</b>

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

**THE CHILDREN'S LAW CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	Program Services					Supporting Services		Totals
	Guardian Ad Litem	Families First	Healthy Together	Policy Work and Advocacy	Consortium	General and Administrative	Fundraising	
<b>Personnel expenses:</b>								
Compensation	\$ 3,123,876	\$ 455,949	\$ 771,514	\$ 403,381	\$ -	\$ 191,220	\$ 232,994	\$ 5,178,934
Benefits	529,345	79,429	136,515	60,749	-	27,774	37,772	871,584
Payroll taxes	241,414	35,334	59,564	31,278	-	14,793	18,049	400,432
Total personnel	\$ 3,894,635	\$ 570,712	\$ 967,593	\$ 495,408	\$ -	\$ 233,787	\$ 288,815	\$ 6,450,950
Amortization	14,899	3,083	3,980	4,885	-	513	3,125	30,485
Client costs	16,365	2,375	3,574	95	-	1,254	-	23,663
Communications	72,419	8,989	18,035	8,575	-	4,924	5,688	118,630
Cost of litigation	24,136	7,448	20,478	-	-	-	-	52,062
Depreciation	40,404	7,102	11,295	4,564	-	2,257	3,432	69,054
Direct mail	-	-	-	-	-	-	4,750	4,750
Donated goods and services	71,523	12,572	19,994	-	-	83,213	-	187,302
Donated legal services	52,044	81,000	-	-	-	-	-	133,044
Equipment maintenance	42,747	7,518	12,680	7,758	-	15,619	8,615	94,937
Independent contractors	-	-	530	-	1,300	43,175	210,872	255,877
Insurance	22,654	3,973	6,319	2,553	-	546	830	36,875
Legal library	33,199	5,702	10,393	3,788	-	1,166	1,431	55,679
Meetings	537	934	-	215	-	3,826	1,126	6,638
Membership dues	15,669	1,609	2,384	2,261	-	1,219	730	23,872
Office rent and occupancy	624,092	109,700	174,460	70,499	-	41,009	56,313	1,076,073
Office supplies	23,088	3,795	5,978	2,631	-	1,263	2,177	38,932
Other events expense	131	-	-	-	-	-	2,831	2,962
Postage	3,319	769	952	372	-	911	2,411	8,734
Printing and design	3,363	885	1,453	9,837	-	534	4,582	20,654
Professional development	37,884	5,723	10,944	3,592	799	448	1,833	61,223
Professional fees	12,300	2,149	3,417	1,381	-	25,049	1,728	46,024
Recruiting	2,644	576	967	401	-	408	23,301	28,297
Staff costs	13,858	2,670	3,595	2,018	-	738	1,746	24,625
Transportation	115,408	11,463	22,955	1,923	80	-	1,316	153,145
<b>TOTAL EXPENSES</b>	<b>\$ 5,137,318</b>	<b>\$ 850,747</b>	<b>\$ 1,301,976</b>	<b>\$ 622,756</b>	<b>\$ 2,179</b>	<b>\$ 461,859</b>	<b>\$ 627,652</b>	<b>\$ 9,004,487</b>

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



**THE CHILDREN'S LAW CENTER, INC.**

**STATEMENTS OF CASH FLOWS**

	FOR THE YEARS ENDED SEPTEMBER 30,	
	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 1,017,613	\$ 148,738
Reconciliation adjustments:		
Depreciation and amortization	107,460	99,539
Net realized and unrealized (gains) and losses	(20,406)	19,790
Decrease (increase) in assets:		
Contracts receivable	(15,698)	(43,521)
Contributions and grants receivable	(497,376)	(145,314)
Annual event pledges receivable	(204,905)	(76,645)
Tenant improvement allowance	-	25,163
Prepaid expenses and other current assets	(6,932)	(6,040)
Security deposit and other noncurrent assets	4,343	(95,622)
Increase (decrease) in liabilities:		
Accounts payable	(10,547)	1,652
Accrued expenses	9,280	112,354
Deferred tenant improvement allowance	1,370	(8,881)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 384,202</b>	<b>\$ 31,213</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	\$ (56,122)	\$ (58,038)
Purchases of investments	(156,308)	(299,763)
Proceeds from sales of investments	2,040	-
Purchases of other investments - certificates of deposit	(15,412)	(965,154)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>\$ (225,802)</b>	<b>\$ (1,322,955)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>\$ 158,400</b>	<b>\$ (1,291,742)</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
<b>BEGINNING OF YEAR</b>	2,225,830	3,517,572
<b>END OF YEAR</b>	<b>\$ 2,384,230</b>	<b>\$ 2,225,830</b>

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

**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016 AND 2015**

Note 1. **Organization and Significant Accounting Policies**

**Organization** - The Children's Law Center, Inc. (CLC) is a not-for-profit organization incorporated under the laws of Washington, DC and is tax exempt under IRS Code Section 501(c)(3). CLC fights so every child in DC can grow up with a loving family, good health and a quality education. With 100 staff and hundreds of pro bono lawyers, CLC reaches 1 out of every 8 children in DC's poorest neighborhoods - more than 5,000 children and families each year. They also multiply this impact by advocating for city-wide solutions that benefit all children. Learn more at [www.childrenslawcenter.org](http://www.childrenslawcenter.org).

**Accounting Method** - CLC uses the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

**Basis of Presentation** - Net assets, revenue, gains, and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Net assets of the two restricted net asset classes are created only by contributions with donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are legally unrestricted and are reported as part of the unrestricted class. CLC's net assets 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 from contributions subject to donor-imposed stipulations that may or will be met either by actions of CLC and/or the passage of time. When a donor 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 restrictions.

Permanently restricted net assets - Net assets from contributions subject to donor imposed stipulations, which are permanent in nature, prohibiting expenditure of the assets pledged or donated. CLC did not have any permanently restricted net assets at September 30, 2016 and 2015.

**Cash and Cash Equivalents** - For purposes of the statements of cash flows, CLC considers all money market accounts not held for long-term investment purposes and investments purchased with an original maturity of three months or less to be cash equivalents. CLC maintains cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. CLC has not experienced any losses in such accounts. CLC believes it is not exposed to any significant financial risk on the cash and cash equivalents.

**Restricted Cash** - CLC has a separate cash and money market fund account restricted as collateral for one half of the security deposit for their current office lease. As of September 30, 2016 and 2015, the fair value of the restricted account was \$57,217 and \$57,211, respectively.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Note 1. **Organization and Significant Accounting Policies** (Continued)

**Certificates of Deposit** - Certificates of deposit with a maturity of three months or less are included in cash and cash equivalents in the accompanying financial statements. Certificates of deposit with a maturity greater than three months are classified as other investments. The certificates of deposit are recorded at fair value which includes accumulated earnings.

**Investments** - Investments are recorded at fair value based on quoted prices, when available. Investments are comprised of mutual funds and exchange traded funds. Money market funds managed and held in the investment portfolio are also classified as investments since such amounts are not to be used for general operating purposes. Net investment income or loss is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or by local law. Interest and dividends are recorded as revenue when earned. Donated securities are reported at fair value upon the date of receipt.

**Fair Value Measurements** - CLC measures fair values and has disclosed such information regarding its assets and liabilities as required by the *Fair Value Measurements* topic of the FASB Accounting Standards Codification. Cash and cash equivalents, receivables, accounts payable, and accrued expenses are carried at net realizable value.

**Receivables** - Receivables are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon review of outstanding receivables, historical collection information and existing economic conditions. As of September 30, 2016 and 2015, no allowance for doubtful accounts has been recorded. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. No discount was recorded as of September 30, 2016 and 2015, since amount is insignificant to the financial statements.

**Revenue Recognition** - The Guardian Ad Litem services performed in accordance with the fixed price contract with the DC Superior Court are earned ratably during the contract period, generally a one year period. Amounts due under the contract but not yet received are recorded in contracts receivable in the statements of financial position.

CLC receives grants and contributions from foundations, corporations, and individuals. Unconditional contributions and grants are recognized as revenue when pledged by the donor. Conditional contributions are recorded when conditions are met. Revenue pledged but not yet received by CLC is reported as contributions and grants receivable in the accompanying statements of financial position.

Annual event fees and sponsorships are recorded as revenue when the event occurs. Fellowship income and attorney fees are both recorded as revenue when received.

**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016 AND 2015**

Note 1. **Organization and Significant Accounting Policies** (Continued)

**Healthy Together** - Other types of legal services are recognized as revenue in the period in which the services are performed.

**Donated Goods and Services** - Donated legal services which support program activities are recognized when performed at the average hourly rate that would be paid to such persons in the marketplace based upon their experience and the nature of the services provided. Donated goods, supplies, and staff services are recognized at fair value at the date of the gift or the date the services are provided.

**Property and Equipment** - Property and equipment purchased with a cost basis greater than \$1,000 and a useful life of greater than one year are recorded at cost while contributed property and equipment are recorded at the fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. CLC estimates five years for the useful lives of office furniture and telephone equipment and estimates three years for the useful lives of computer equipment and database software. Leasehold improvements are amortized using the straight-line method over the lesser of the useful life or life of the lease. Expenditures for maintenance and repairs are charged against income as incurred while improvements which increase the value or materially extend the life of the related asset are capitalized.

**Statements of Cash Flows Non-Cash Activities** - During the years ended September 30, 2016 and 2015, CLC disposed of fully depreciated assets with a cost basis of \$28,039 and \$37,807, respectively.

**Functional Allocation of Expenses** - The cost of providing the various programs and other activities has been summarized in the accompanying statements of activities and functional expenses. Costs which cannot be specifically identified with a particular function and which benefit more than one functional category are allocated to the different functional areas based on direct salaries. Management believes this method accurately reflects the cost of administering CLC's programs.

**Use of Estimates** - The preparation of 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 certain assets, liabilities, revenue, and expenses. Accordingly, actual results could differ from those estimates.

**Tax Status** - CLC is exempt from federal and state income taxes (except taxes on unrelated business income) under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. No provision for income taxes is required for the years ended September 30, 2016 and 2015 since CLC had no taxable income from unrelated business activities.

**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016 AND 2015**

Note 1. **Organization and Significant Accounting Policies** (Continued)

**Accounting for Uncertain Tax Provisions** - CLC complies with the provisions of the FASB Accounting Standards Codification topic *Accounting for Uncertainty In Income Taxes*. For the years ended September 30, 2016 and 2015, no unrecognized tax provision or benefit exists. The Form 990, Return of Organization Exempt from Income Tax, for the fiscal years ended September 30, 2013 through 2015 are subject to review and examination by the Internal Revenue Service.

Note 2. **Program Activities** - CLC's program services include the following:

Guardian Ad Litem Program - CLC's attorneys are appointed by judges within the DC Superior Court to be the voice for DC's abused and neglected children. CLC fights so that every child they meet in the child welfare system has a safe, loving home. CLC doesn't stop there; CLC also advocates with judges, social workers, schools, and medical professionals to meet each child's physical, emotional, and educational needs to help them recover from trauma and put them on a brighter path.

Families First - CLC provides free legal help to foster parents, grandparents, and others who are stepping up to take care of children at risk of entering foster care or who have already been removed from their homes. CLC also represents low-income children who have been caught up in bitter custody battles where domestic violence and other high levels of conflict threaten family stability.

Healthy Together - Through a partnership with Children's National Health System, Mary's Center, and Unity Health Care, CLC's lawyers work side-by-side with pediatricians in seven community health clinics to find and fix the root causes of a child's health problem that can't be improved by medicine alone. CLC fights landlords to fix illegal, unsafe housing conditions making children sick; ensures a school provides the special education services a child needs to learn; and advocates with health providers and other institutions so every child gets the physical and mental health care they need.

Policy Work and Advocacy - Policy work and advocacy is grounded in the experience that CLC has gained helping tens of thousands of District children since it was founded in 1996. This expertise is used to partner with the Mayor, District Agencies, the DC Council, and other advocates for city-wide solutions that better serve children's needs. This includes work to change laws, policies, and practices, and also to secure media coverage to raise awareness about the District's successes and failures in meeting children's needs. Finally, CLC trains lawyers, medical professionals, social workers, judges, foster parents, and other community members on issues that affect children.

**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016 AND 2015**

Note 3. **Commitments from the District of Columbia Superior Court** - In 2012, CLC was awarded a fixed price contract with the DC Superior Court to provide continued Guardian Ad Litem representation for abused and neglected children for the period October 1, 2012 through September 30, 2013. Under the contract, CLC was also provided with the use of two copiers without charge for the term of the contract. The DC Superior Court may extend the term of this contract for additional one year periods, or a fraction, or multiple fractions thereof, by written notice to CLC before the expiration of the annual contract through September 30, 2017. CLC is currently under a contract through September 30, 2017. Exercise of any option under the contract is contingent upon appropriation of funds in DC's budget for the respective option period. For the years ended September 30, 2016 and 2015, revenue from the Guardian Ad Litem contract totaled \$6,254,301 and \$5,947,212, respectively.

Note 4. **Concentration of Risk** - During the years ended September 30, 2016 and 2015, revenue from the DC Superior Court contract represented 62% and 65%, respectively, of CLC's total revenue. CLC believes it is not exposed to any significant financial risk due to DC's statutory requirement to provide legal services for the children of DC. Pursuant to DC Code Section 16-2304(b)(5), a guardian *ad litem*, who is an attorney, shall be appointed for the child in every neglect proceeding.

Note 5. **Investments** - CLC complies with the Financial Accounting Standards Codification topic *Fair Value Measurements*. This topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under this topic are described below:

Basis of Fair Value Measurement

- |         |   |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities                              |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly |
| Level 3 | Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable   |



**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016 AND 2015**

Note 5. **Investments** (Continued)

CLC's investments are deemed to be actively traded. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification in the valuation hierarchy:

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by CLC are open-ended mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at the price.

Exchange Traded Funds: Valued based on the daily closing price of the assets in the fund. However, purchases and sales throughout the course of a day are based on the collective prices of securities held at that point in time, adjusted for factors of supply and demand in the market. Generally, the trading price approximates its NAV.

Money Market Funds: Valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value and to transact at that price.

The following tables set forth by level within the fair value hierarchy CLC's investment assets at fair value as of September 30, 2016 and 2015. As required by this topic, individual assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. At September 30, 2016 or 2015, CLC did not have any investment assets at fair value classified within Level 2 or 3.

	Fair Value Measurements at September 30, 2016			
	Level 1	Level 2	Level 3	Total
Money market	\$ 42,166	\$ --	\$ --	\$ 42,166
Mutual funds	358,842	--	--	358,842
Exchange traded funds	53,639	--	--	53,639
Totals	\$ 454,647	\$ --	\$ --	\$ 454,647

	Fair Value Measurements at September 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market	\$ 13,707	\$ --	\$ --	\$ 13,707
Mutual funds	223,009	--	--	223,009
Exchange traded funds	43,257	--	--	43,257
Totals	\$ 279,973	\$ --	\$ --	\$ 279,973

**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016 AND 2015**

Note 5. **Investments** (Continued)

For the years ended September 30, 2016 and 2015, net investment income, including interest earned on cash, certificates of deposits, and money market accounts, net of investment fees, consisted of the following:

	For the Years Ended September 30,	
	2016	2015
Dividends and interest	\$ 17,381	\$ 6,492
Realized losses	(241)	--
Unrealized gains (losses)	20,647	(19,790)
Totals	\$ 37,787	\$ (13,298)
Less: investment fees	4,420	2,081
Net investment income (loss)	\$ 33,367	\$ (15,379)

Investments, such as mutual funds and exchange traded funds, are exposed to various risks such as market and credit. Due to the level of risk associated with such investments, and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Note 6. **Receivables** - As of September 30, 2016 and 2015, receivables are due for the following:

	2016	2015
DC Superior Court contractual services	\$ 521,191	\$ 495,601
Legal services	--	4,248
Policy work and advocacy	4,167	9,811
Contributions and grants	782,376	285,000
Annual event pledges	463,250	258,345
Totals	\$ 1,770,984	\$ 1,053,005

Receivables as of September 30, 2016 are expected to be received as follows: \$1,517,864 in less than one year and \$253,120 in one to two years.

Note 7. **Property and Equipment** - Property and equipment consists of the following as of September 30:

	2016	2015
Computer equipment	\$ 266,554	\$ 249,096
Database software	155,106	144,481
Leasehold improvements	98,269	98,269
Office furniture	336,807	336,807
Telephone equipment	90,125	90,125
Total property and equipment	\$ 946,861	\$ 918,778
Less, Accumulated depreciation and amortization	(802,148)	(722,727)
Net property and equipment	\$ 144,713	\$ 196,051



**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2016 AND 2015**

Note 8. **Temporarily Restricted Net Assets** - As of September 30, 2016 and 2015, CLC's temporarily restricted net assets consist of the following:

Purpose restriction:	<u>2016</u>	<u>2015</u>
Healthy Together	\$ 736,893	\$ 359,977
Policy	75,000	--
Communications and Strategic Planning	81,252	--
Future Benefit Income	112,500	--
Consortium	--	41,220
Families First	--	76,123
Guardian Ad Litem	--	10,250
Time Restricted Grants and Pledges	<u>157,500</u>	<u>--</u>
Totals	<u>\$ 1,163,145</u>	<u>\$ 487,570</u>

Net assets of \$903,764 and \$975,005 were released from donor restrictions by incurring expenses satisfying the purposes specified by the donor during the years ended September 30, 2016 and 2015, respectively.

Note 9. **Donated Goods and Services** - CLC receives donated goods and supplies, staff services, and legal services. The donated goods and services, as recorded at fair value, for the years ended September 30, 2016 and 2015 consists of the following:

	<u>2016</u>	<u>2015</u>
Goods and supplies	\$ 103,219	\$ 104,389
Staff services	7,820	82,913
Legal services	<u>143,038</u>	<u>133,044</u>
Totals	<u>\$ 254,077</u>	<u>\$ 320,346</u>

Note 10. **Retirement Plan** - CLC maintains a 401(k) retirement plan which is available to all employees starting at their date of hire. Under the terms of the plan, CLC makes a non-discretionary contribution of 3% of the employee salary. The employer contributions for the years ended September 30, 2016 and 2015 totaled \$157,635 and \$154,790, respectively, which are included in benefits on the statements of functional expenses.

Note 11. **Operating Leases** - CLC has a 10-year lease agreement for approximately 16,308 square feet of office space located at 616 H Street, NW, Suite 300, Washington, DC which expires on March 31, 2017. The monthly base rent in the first year was \$56,738, with an escalation clause of 2.5% annually. In October 2013, CLC entered into a lease agreement for approximately 3,355 square feet of additional office space located at 777 6th Street, NW, Washington, DC. The lease began on June 1, 2014 and expires on March 31, 2017. The monthly base rent in the first year was \$13,420, increasing 2.5% annually. A tenant improvement allowance is included in the lease at 777 6<sup>th</sup> Street, NW in the amount of \$25,163. The amount is amortized over the life of the lease, which is 34 months.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

Note 11. **Operating Leases** (Continued)

During the year ended September 30, 2015, CLC entered into a 10-year lease agreement for approximately 20,807 square feet of office space located at 501 3<sup>rd</sup> Street, NW, Washington, DC to relocate and combine two offices effective on April 1, 2017. The monthly base rent will be \$79,760, with an escalation clause of 2.5% annually. Per the lease agreement, the first nine months of the lease will be abated. In addition, CLC has a leasehold improvement allowance totaling \$1,560,525.

As of September 30, 2016, the future minimum base lease obligations are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2017	\$ 517,380
2018	729,804
2019	993,312
2020	1,018,146
2021	1,043,598
Thereafter	<u>6,921,403</u>
Total	<u>\$ 11,223,643</u>

For the years ended September 30, 2016 and 2015, rent expense, including utilities and storage, totaled \$1,115,488 and \$1,068,755, respectively.

Note 12. **Consortium** - CLC served as the fiscal agent for the Consortium of Legal Service Providers of the District of Columbia through June 30, 2016.

Note 13. **Line of Credit** - CLC has an open-end revolving line of credit with SunTrust Bank in the amount of \$200,000, which expires on June 2, 2017. There were no outstanding borrowings on the line of credit at September 30, 2016 and 2015.

Note 14. **Subsequent Events** - CLC evaluated subsequent events for potential required disclosure through February 6, 2017, which is the date the financial statements were available to be issued.