THE CHILDREN'S LAW CENTER, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2020

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6903 Rockledge Drive
Suite 300
Bethesda, MD 20817

301-564-3636

rubino.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of The Children's Law Center, Inc. (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, the related statement of activities, statement of functional expenses, and statement of cash flows for the fifteen-months ended December 31, 2020, 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. These 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 December 31, 2020, the changes in its net assets, functional expenses, and its cash flows for the fifteen-months then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, The Children's Law Center, Inc. adopted Accounting Standards Update No. 2018-08, Not-for-Profit Entities: *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958), during the fifteen-months ended December 31, 2020. Our opinion is not modified with respect to this matter.

Rubino & Company

Bethesda, Maryland
March 29, 2021

THE CHILDREN'S LAW CENTER, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current assets	
Cash and cash equivalents	$ 6,467,185
Receivables	
Contracts receivable	501,080
Contributions and grants receivable	688,253
Annual event pledges receivable	239,900
Total current receivables	1,429,233
Other current assets	
Prepaid expenses and other current assets	123,780
Investments	1,144,628
Total other current assets	1,268,408
Total current assets	9,164,826
Noncurrent assets	
Contributions and grants receivable, net of current	50,000
Investments	610,859
Property and equipment, net	1,293,455
Security deposit and other noncurrent assets	79,670
Total noncurrent assets	2,033,984
Total assets	$ 11,198,810

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	$ 56,030
Accrued payroll and related liabilities	240,113
Deferred revenue	117,020
Deferred rent and tenant improvement allowance, current	170,382
Total current liabilities	583,545
Noncurrent liabilities	
Deferred rent and tenant improvement allowance, net of current	1,689,923
Total liabilities	2,273,468
Net assets	
Without donor restrictions	7,461,504
With donor restrictions	1,463,838
Total net assets	8,925,342
Total liabilities and net assets	$ 11,198,810

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

THE CHILDREN'S LAW CENTER, INC.
STATEMENT OF ACTIVITIES
For the Fifteen-Months Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
DC court contractual services	$ 7,216,191	$ -	$ 7,216,191
Contributions and grants	1,768,450	1,206,054	2,974,504
Annual event			
Gross revenue and donations	1,582,857	-	1,582,857
Less - direct expenses	(19,885)	-	(19,885)
Contribution - Paycheck Protection Program	1,277,538	-	1,277,538
Donated goods and services	892,718	-	892,718
Other revenue	210,417	-	210,417
Net assets released from restrictions	1,847,386	(1,847,386)	-
Total revenue and support	14,775,672	(641,332)	14,134,340
Expenses			
Program services			
Guardian Ad Litem	5,835,619	-	5,835,619
Heathy Together	2,295,900	-	2,295,900
Pro Bono	1,127,892	-	1,127,892
Policy Work and Advocacy	1,246,625	-	1,246,625
Total program services	10,506,036	-	10,506,036
Supporting services			
General & administrative	1,448,530	-	1,448,530
Fundraising	1,116,144	-	1,116,144
Total supporting services	2,564,674	-	2,564,674
Total expenses	13,070,710	-	13,070,710
Change in net assets from operations	1,704,962	(641,332)	1,063,630
Non-operating activity			
Investment income, net	91,426	-	91,426
Refund of federal income tax	63,702	-	63,702
Total non-operating activity	155,128	-	155,128
Change in net assets	1,860,090	(641,332)	1,218,758
Net assets, beginning of period	5,601,414	2,105,170	7,706,584
Net assets, end of period	$ 7,461,504	$ 1,463,838	$ 8,925,342

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

THE CHILDREN'S LAW CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Fifteen-Months Ended December 31, 2020

	Program Services					Supporting Services		
	Guardian Ad Litem	Healthy Together	Pro Bono	Policy Work and Advocacy	Total Program Services	General & Administrative	Fundraising	Total
Personnel costs								
Salary	$ 3,450,090	$ 1,329,375	$ 625,308	$ 527,689	$ 5,932,462	$ 518,292	$ 564,531	$ 7,015,285
Benefits	775,102	298,659	140,483	118,551	1,332,795	116,440	126,828	1,576,063
Payroll taxes	284,435	110,233	52,115	44,521	491,304	46,176	46,896	584,376
Total personnel costs	4,509,627	1,738,267	817,906	690,761	7,756,561	680,908	738,255	9,175,724
Office rent and occupancy	620,576	203,018	109,714	79,598	1,012,906	75,683	72,170	1,160,759
Donated legal services	100,615	86,856	109,100	411,809	708,380	96,046	-	804,426
Professional fees	6,914	1,820	136	3,273	12,143	365,869	221,605	599,617
Depreciation and amortization	192,872	65,035	34,253	24,277	316,437	20,506	21,622	358,565
Technology	93,294	35,519	18,883	11,460	159,156	49,805	15,473	224,434
Telephone and internet	59,463	19,910	7,439	7,533	94,345	18,593	6,863	119,801
Client costs	44,941	40,085	2,056	1,603	88,685	5,204	8,153	102,042
Dues and subscriptions	41,257	15,528	5,117	6,365	68,267	18,134	9,970	96,371
Donated goods for clients	56,360	21,717	10,215	-	88,292	-	-	88,292
Insurance	36,322	11,755	6,319	4,677	59,073	2,560	2,631	64,264
Banking and payroll fees	5,905	2,194	1,184	1,084	10,367	43,602	1,227	55,196
Transportation	39,553	10,470	858	1,661	52,542	1,679	830	55,051
Litigation costs	5,822	33,653	1,729	1	41,205	-	-	41,205
Office supplies	696	330	159	121	1,306	38,956	138	40,400
Meetings and staff costs	3,346	1,528	500	435	5,809	14,686	1,485	21,980
Postage	3,254	1,884	675	345	6,158	1,324	11,414	18,896
Printing and design	9,315	4,418	1,393	1,502	16,628	1,055	975	18,658
Bad debt expense	-	-	-	-	-	11,450	-	11,450
Training and development	4,846	1,694	156	98	6,794	2,470	14	9,278
Other event expense	641	219	100	22	982	-	3,319	4,301
TOTAL EXPENSES	$ 5,835,619	$ 2,295,900	$ 1,127,892	$ 1,246,625	$ 10,506,036	$ 1,448,530	$ 1,116,144	$ 13,070,710

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

THE CHILDREN'S LAW CENTER, INC.
STATEMENT OF CASH FLOWS
For the Fifteen-Months Ended December 31, 2020

Cash flows from operating activities	
Change in net assets	$ 1,218,758
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	358,565
Net realized and unrealized gains	(53,284)
Non-cash stock donations	(305,294)
Changes in operating assets and liabilities:	
Contracts receivable	(20,000)
Contributions and grants receivable	795,938
Annual event pledges receivable	363,513
Prepaid expenses and other current assets	72,145
Security deposit and other non current assets	1,575
Accounts payable	(29,664)
Accrued expenses	(33,939)
Deferred revenue	117,020
Deferred rent and tenant improvement allowance	(176,250)
Net cash provided by operating activities	2,309,083
Cash flows from investing activities	
Purchase of property and equipment	(35,782)
Purchases of investments	(313,662)
Proceeds from sales of investments	558,197
Net cash provided by investing activities	208,753
Net change in cash and cash equivalents	2,517,836
Cash, beginning of period	3,949,349
Cash, end of period	$ 6,467,185

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

1. Organization

The Children's Law Center, Inc. (CLC) is a not-for-profit organization formed under the laws of the District of Columbia (DC) and is tax exempt under IRS Code Section 501(c)(3). Children's Law Center fights so every child in DC can grow up with a loving family, good health and a quality education. Judges, pediatricians and families turn to CLC to advocate for children who are abused or neglected, who aren't learning in school, or who have health problems that can't be solved by medicine alone. Councilmembers, DC government officials and advocates turn to CLC when the District's laws and policies are failing children and need to be improved. With almost 100 staff and hundreds of pro bono lawyers, CLC provides individual assistance to 1 out of every 9 children in DC's poorest neighborhoods – more than 5,000 children and families each year, and CLC's systemic advocacy has an impact on children and families across the District.

2. Program Activities

CLC's program services include the following:

- *Guardian Ad Litem* - CLC's attorneys are appointed by judges within the DC Superior Court to advocate for a child's best interests while they are in foster care. CLC does not stop there; CLC also partners with judges, social workers, schools, and medical professionals to fight for the education and health care they need to thrive while CLC helps them find a safe, loving home.

- *Policy Work and Advocacy* - CLC's policy advocacy is grounded in the experience CLC has gained helping tens of thousands of District children since its founding in 1996. CLC offers city-wide solutions to the Mayor, District agencies and the DC Council to better serve vulnerable children. CLC works to improve laws, policies and practice, and also secure media coverage about the District's successes and failures in meeting children's needs. Whether it is advocating for historic special education reforms, pressing agencies to better prepare older youth who age out of foster care, improving mental health services within DC schools, or ensuring students are not unfairly suspended or expelled – CLC's policy advocacy delivers real results that improve all children's lives.

- *Healthy Together* - Children's Law Center fights so that all children in DC can grow up healthy. Through the Healthy Together program, CLC partners with Children's National, Mary's Center and Unity Health Care to put lawyers side-by-side with pediatricians to fix the root causes of a child's health problem. CLC currently works in six health clinics across the District. CLC also ensures children can start school ready to learn by helping infants and toddlers with developmental delays get support early. When children reach school age, CLC helps families advocate so DC's schools provide the special education support their children need and find alternatives to unnecessary suspensions and expulsions.

2. Program Activities (continued)

- *Pro Bono* - Although Children's Law Center is the largest civil legal services provider in DC, many more children come to CLC than its staff attorneys can represent. CLC's pro bono team places children, parents, and caregivers in need of legal services with more than 500 pro bono attorneys every year. Pro bono lawyers find success with CLC cases regardless of experience because of comprehensive intakes and a commitment to high-quality training and mentoring. The pro bono team also includes a team of lawyers who help children caught in bitter parental disputes, shielding them from conflict and helping families agree on a plan to support their children's well-being. And, when parents can no longer safely care for their children, CLC helps grandparents and other caring adults who step up to give them a home, whether through adoption, custody or guardianship.

3. Summary of Significant Accounting Policies

Basis of Presentation

CLC's financial statements have been prepared in accordance with U.S. generally accepted accounting principles, which requires CLC to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the CLC. CLC's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the CLC or by the passage of time.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Change in Fiscal Year

CLC change its fiscal year end from September 30 to December 31 during the period ended December 31, 2020. As a result, certain amounts are presented as fifteen months of activity to present the "short period" from October 1, 2020 to December 31, 2020. Future fiscal years will present a standard twelve-month year.

3. Summary of Significant Accounting Policies (continued)

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the CLC's ongoing services. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

For purposes of the statement 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.

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 with current investments. The certificates of deposit are recorded at fair value which includes accumulated earnings.

Investments

Valuation

Investments purchased are recorded at cost. Thereafter, investments are reported at their fair market value in the statement of financial position.

Donated securities are recorded at fair value on the date of donation. Thereafter, investments are reported at their fair market value in the statement of financial position. Donated securities are sold upon receipt from the donor.

Composition

Investments include mutual funds and exchange traded funds. Money market funds managed and held in the investment portfolio, for long-term investment purposes, are also classified as investments since such amounts are not to be used for general operating purposes.

3. Significant Accounting Policies (continued)

Investments (continued)

Net investment income or loss is included in the statement of activities as increases or decreases in net assets without donor restriction unless the income or loss is restricted by donor or by local law. Interest and dividends are recorded as revenue when earned.

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. At December 31, 2020, no allowance for doubtful accounts was 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 at December 31, 2020, since the amount is immaterial to the financial statements.

Property and Equipment

Property and equipment purchased with a cost basis greater than $2,500 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 expensed as incurred while improvements which increase the value or materially extend the life of the related asset are capitalized.

Revenue Recognition

Guardian Ad Litem

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, consisting of an initial contract year and four additional option years. The current contract expires September 30, 2022. Amounts due under the contract but not yet received are recorded in contracts receivable in the statement of financial position.

3. Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions and Grants

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. Conditional contributions received prior to conditions being met are recorded in deferred revenue on the statement of financial position. Revenue pledged but not yet received by CLC is reported as contributions and grants receivable in the accompanying statement of financial position. CLC classifies grants and contributions for fellowships as its own income type.

Annual Event

Annual event fees and sponsorships are recorded as revenue when the event occurs. Cash received related to the direct donor benefit portion of the special event is deferred revenue until the event occurs.

Donated Goods and Services

CLC records various types of in-kind contributions. Donated legal services which support program activities are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals processing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized in the accompanying statement 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.

3. Significant Accounting Policies (continued)

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 assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Tax Status

CLC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the applicable income tax regulations of the District of Columbia. CLC is not a private foundation and is exempt from taxes on income other than unrelated business income.

CLC's income tax returns are subject to review and examination by federal and state taxing authorities. CLC is not aware of any activities that would jeopardize its tax-exempt status. Income tax returns for the years ended in 2019, 2018 and 2017, remain open to examination by the taxing jurisdictions.

Unrelated Business Income

On December 20, 2019, a tax law change included the retroactive repeal of the increase to unrelated business taxable income ("UBTI") for certain fringe benefit expenses which were the result of the Tax Cuts and Job Act. Fringe benefits that were taxable included both non-taxable parking and transit benefits provided by CLC to its employees, as well as employee pre-tax salary deferrals for parking and/or transit expenses. Exempt organizations that had taxable income for fringe benefit amounts paid or incurred beginning January 1, 2018, may file amended federal returns to request refunds for taxes paid on those amounts.

During the fifteen-months ended December 31, 2020, CLC filed amended federal returns to recover unrelated business income taxes previously paid related to the repeal and recovered a refund of $63,702, which is included as a non-operating activity on the statement of activities for the fifteen months ended December 31, 2020.

3. Significant Accounting Policies (continued)

Fair Value Measurements

CLC reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by generally accepted accounting principles, 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 fair value hierarchy is as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities that CLC has the ability to access.

- Level 2: Inputs to the valuation methodology include:

  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

  If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

3. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments in *money market funds* are valued at the net asset value (generally $1) of shares held by CLC at year-end reported in the listing of the applicable major exchanges. Such securities are classified within Level 1 of the valuation hierarchy.

Investments in *certificates of deposit* are valued by discounting the related cash flows based on current yields of similar instruments with comparable derivatives considering the credit worthiness of the issuer. Such securities are classified within Level 2 of the valuation hierarchy.

Investments in *exchange traded funds (ETFs)* are valued at the closing price reported in the active markets in which the common stocks and ETFs are traded. Such securities are classified within Level 1 of the valuation hierarchy.

Investments in *mutual funds* are valued at net asset value, reported daily in the active exchanges, of shares held by CLC at year-end. Such securities are classified within Level 1 of the valuation hierarchy.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported as of the end of the reporting period. For the fifteen-months ended December 31, 2020, there were no significant transfers in or out of levels 1, 2 or 3.

New Accounting Pronouncement – Adopted

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The guidance clarifies how entities will determine whether to account for a transfer of assets (or a reduction, settlement or cancellation of a liability) as an exchange transaction or a contribution. In addition, the ASU addresses the evaluation of whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, and when a contribution is restricted.

Analysis of various provisions of this standard resulted in no significant changes to the manner in which CLC recognizes revenue, or to previously audited financial statement amounts.

3. Significant Accounting Policies (continued)

New Accounting Pronouncements – Future Periods

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 (as amended by ASU 2015-14), *Revenue from Contracts with Customers*, which provides a single comprehensive accounting standard for revenue recognition for contracts with customers and supersedes current industry-specific guidance. Due to the Coronavirus Disease 2019 (COVID-19) pandemic, and its adverse effect on the global economy, FASB issued ASU 2020-05 to offer a limited deferral of the effective dates of ASU 2014-09 to provide immediate, near-term relief for certain entities. CLC will apply the new standard beginning January 1, 2021. CLC is currently evaluating the impact of the new standard on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires a lessee to recognize a right-of-use ("ROU") assets and lease liability on the balance sheet for most lease contracts (which include those leases that are currently classified as operating leases under the current accounting standard). Additional disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from lease contracts. The standard will be effective for CLC beginning January 1, 2022. CLC is currently evaluating the impact of the new standard on the financial statements.

Subsequent Events

Management has evaluated subsequent events through March 29, 2021, the date the financial statements were available to be issued.

4. Availability and Liquidity

The following reflects CLC's financial assets at December 31, 2020, reduced by amounts not available for general use within one year of the statement of financial position date because of donor imposed restrictions and internal board designations. Amounts not available include amounts set aside for long-term investing in the board designated reserves that could be drawn upon if the governing board approves that action.

Cash and cash equivalents	$ 6,467,185
Receivables - current	
Contracts receivable	501,080
Contributions and grants receivable	738,253
Annual event pledges receivable	239,900
Total receivables	1,479,233
Current investments	1,144,628
Long-term investments	610,859
Total financial assets	9,701,905
Less amounts not available to be used within one year	
Long-term investments	610,859
Contributions and grants receivable - noncurrent	50,000
Net assets with donor restrictions	1,463,838
	2,124,697
Financial assets available to meet cash needs for general expenditures within one year	$ 7,577,208

CLC's goal is to maintain financial assets to meet 90 days of operating expenses plus a 10% contingency (approximately $2,900,000). As part of its liquidity plan, excess cash is invested in equity securities, fixed income securities, mutual funds, exchange-traded funds, and short-term investments (cash and cash equivalents). Funds are invested and maintained with reasonable diversification in accordance with CLC's investment policy. To provide further liquidity, CLC has access to a $200,000 bank line of credit (Note 10).

5. Investments

Investments consist of the following at December 31, 2020:

	(Note 3) Fair Value Levels	
Short-term investments		
Certificates of deposit	2	$ 986,807
Cash and money markets	1	44,757
Mutual funds	1	113,064
		1,144,628
Long-term investments		
Cash and money markets	1	47,285
Mutual funds	1	449,281
Exchange traded funds	1	114,293
		610,859
Total investments		$ 1,755,487

6. Receivables

Receivables are due from the following sources at December 31, 2020:

Contracts receivable	$ 501,080
Contributions and grants	738,253
Annual event pledges	239,900
Totals	$ 1,479,233

Receivables are expected to be received as follows at December 31, 2020:

Less than 1 year	$ 1,429,233
1 - 5 years	50,000
Totals	$ 1,479,233

7. Property and Equipment

Property and equipment consist of the following at December 31, 2020:

Computer equipment	$ 292,571
Database software	253,063
Leasehold improvements	1,785,045
Office furniture	339,662
Telephone equipment	74,806
Total property and equipment	2,745,147
Less: Accumulated depreciation and amortization	(1,451,692)
Property and equipment, net	$ 1,293,455

Depreciation and amortization expense for the fifteen-months ended December 31, 2020 is $358,565.

8. Net Assets With Donor Restrictions

CLC's net assets with restrictions consist of the following at December 31, 2020:

Purpose restricted pledges and grants	
Healthy Together	$ 903,728
Policy	23,333
Communications and strategic planning	37,495
COVID-19-Emergent needs	20,000
Admininitrative support	122,049
Total purpose restricted grants and pledges	1,106,605
Time restricted pledges and grants	
Future benefit income	123,300
Other pledges and grants	233,933
Total	$ 1,463,838

9. Donated Services and In-Kind Contributions

CLC received donated professional services and materials as follows during the fifteen-months ended December 31, 2020:

	Program Services	General and Administrative	Total
Hope Drive	$ 88,292	$ -	$ 88,292
Legal services	708,380	96,046	804,426
	$ 796,672	$ 96,046	$ 892,718

10. Line of Credit

CLC has an open-end revolving line of credit with Truist Bank in the amount of $200,000. The interest rate is equal to the Truist Prime Rate index plus 0.35% per annum. The line of credit matures on May 21, 2021. At December 31, 2020, there were no outstanding borrowings on the line.

11. Retirement Plan

CLC maintains a 401(k) retirement plan which is available to all employees starting at date of hire. Under the terms of the plan, CLC makes a non-discretionary contribution of 3% of each employee's eligible salary. The employer contributions for the fifteen-months ended December 31, 2020 totaled $208,736, which is included in personnel costs on the statement of functional expenses.

12. Concentration of Risk

At December 31, 2020, the DC Superior Court contract represented 33%, and two additional donors represented 21% of the outstanding receivables balance. During the fifteen-months ended December 31, 2020, revenue from the DC Superior Court contract represented 51% of CLC's total revenue and support. 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.

13. Commitments from the District of Columbia Superior Court

In 2017, CLC was awarded a fixed price contract with the DC Superior Court to provide continued Guardian Ad Litem representation for abused and neglected children. 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. The contract has been extended under option-year contract modifications through September 30, 2021. Effective for 2020, the terms of the contract were modified for the extension period maintaining the number of children to receive services at 425 annually. Exercise of any option under the contract is contingent upon appropriation of funds in DC's budget for the respective option period.

14. Lease Commitments

CLC leases office space under a ten-year operating lease entered into on April 1, 2017 for approximately 20,807 square feet of office space located at 501 3rd Street, NW, Washington, DC. The lease provided a buildout allowance of approximately $1.6 million and a nine-month rent abatement period. In addition to the rent abatement and the buildout allowance for the Washington, DC lease; the lease contains provisions for annual increases in the base rent. Rental payments are recognized as expense on a straight-line basis over the term of the lease. Rent expense for the fifteen-months ended December 31, 2020, was approximately $1,160,000.

Future minimum lease payments are approximately as follows:

Years ending December 31, 2021	$ 1,050,000
2022	1,088,000
2023	1,119,000
2024	1,147,000
2025	1,175,000
2026 and thereafter	2,440,000
	$ 8,019,000

15. Paycheck Protection Program

On April 29, 2020, CLC received loan proceeds in the amount of $1,277,538 through the Paycheck Protection Program (PPP), as established by the CARES Act, which allows qualifying businesses to obtain federal funding for amounts not to exceed two and a half times average monthly payroll expenses.

Under the provisions of the CARES Act, the PPP proceeds must be used for eligible expenses, which includes payroll, benefits, rent and utilities. The eligible expenses may be forgiven if such expenses are incurred during the 24-week period after receipt of the PPP funding and if CLC maintains its pre-pandemic staffing levels.

For amounts received, but not forgiven, the excess proceeds will convert to a note payable, with a maturity date in April 2022 and accruing interest at 1.00% per annum. Under the provisions of the CARES Act, payments are deferred for six months and there are no collateral or guarantee requirements.

CLC initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. For the fifteen-months ended December 31, 2020, CLC determined those expenses which are expected to meet the forgiveness conditions for those programs not reimbursed by its grants and other private funding. As of December 31, 2020, CLC used the proceeds for expenses consistent with the PPP provisions and recognized $1,277,538 as revenue for the fifteen-months ended December 31, 2020.

16. COVID-19 Financial Statements Impacts

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. CLC is closely monitoring its cash position and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on CLC's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on CLC's donors, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact CLC's financial position and changes in net assets is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.