

THE CHILDREN'S LAW CENTER, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2021

TABLE OF CONTENTS

DESCRIPTION	PAGE
Independent Auditors' Report	1 – 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 20



RUBINO

STRENGTH IN NUMBERS
INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Children's Law Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year 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 Children's Law Center, Inc. as of December 31, 2021, and the changes in its net assets, its functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Children's Law Center, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 3 to the financial statements, Children's Law Center, Inc. adopted Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) during the year ended December 31, 2021. Our opinion is not modified with respect to this matter.

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 Children's Law Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

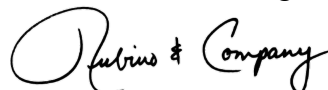
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance 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. 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 Children's Law Center, Inc.'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 Children's Law Center, Inc.'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.

Bethesda, Maryland
April 22, 2022



THE CHILDREN'S LAW CENTER, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Current assets	
Cash and cash equivalents	\$ 6,879,201
Receivables	
Accounts and contracts receivable	992,727
Contributions receivable, net	1,304,312
Total current receivables	<u>2,297,039</u>
Other current assets	
Prepaid expenses and other current assets	222,314
Investments	989,948
Total other current assets	<u>1,212,262</u>
Total current assets	<u>10,388,502</u>
Noncurrent assets	
Contributions receivable, net of current	535,102
Investments	2,261,897
Property and equipment, net	1,113,408
Security deposit and other noncurrent assets	79,670
Total noncurrent assets	<u>3,990,077</u>
Total assets	<u>\$ 14,378,579</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 53,400
Accrued payroll and related liabilities	257,152
Deferred revenue	326,721
Deferred rent and tenant improvement allowance, current	208,034
Total current liabilities	<u>845,307</u>
Noncurrent liabilities	
Deferred rent and tenant improvement allowance, net of current	1,481,890
Total liabilities	<u>2,327,197</u>
Net assets	
Without donor restrictions	9,980,025
With donor restrictions	2,071,357
Total net assets	<u>12,051,382</u>
Total liabilities and net assets	<u>\$ 14,378,579</u>

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

THE CHILDREN'S LAW CENTER, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
DC court contractual services	\$ 5,772,968	\$ -	\$ 5,772,968
Contributions and grants	1,603,133	2,308,584	3,911,717
Annual event			
Gross revenue and donations	1,583,660	-	1,583,660
Less - direct expenses	(25,882)	-	(25,882)
Contribution - Paycheck Protection Program	1,366,607	-	1,366,607
Donated goods and services	416,984	-	416,984
Other revenue	48,609	-	48,609
Net assets released from restrictions	1,701,065	(1,701,065)	-
Total revenue and support	12,467,144	607,519	13,074,663
Expenses			
Program services			
Guardian Ad Litem	4,089,702	-	4,089,702
Heathy Together	1,766,344	-	1,766,344
Pro Bono	736,833	-	736,833
Systemic Advocacy	828,385	-	828,385
Total program services	7,421,264	-	7,421,264
Supporting services			
General & administrative	1,784,230	-	1,784,230
Fundraising	879,279	-	879,279
Total supporting services	2,663,509	-	2,663,509
Total expenses	10,084,773	-	10,084,773
Change in net assets from operations	2,382,371	607,519	2,989,890
Non-operating activity			
Investment income, net	136,150	-	136,150
Change in net assets	2,518,521	607,519	3,126,040
Net assets, beginning of period	7,461,504	1,463,838	8,925,342
Net assets, end of period	\$ 9,980,025	\$ 2,071,357	\$ 12,051,382

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

THE CHILDREN'S LAW CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	<u>Program Services</u>					<u>Supporting Services</u>		
	<u>Guardian Ad Litem</u>	<u>Healthy Together</u>	<u>Pro Bono</u>	<u>Systemic Advocacy</u>	<u>Total Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs								
Salary	\$ 2,416,752	\$ 1,020,587	\$ 358,718	\$ 456,954	\$ 4,253,011	\$ 843,930	\$ 460,014	\$ 5,556,955
Benefits	560,648	236,641	82,774	105,565	985,628	203,633	106,246	1,295,507
Payroll taxes	205,397	86,963	30,702	38,975	362,037	68,305	39,267	469,609
Total personnel costs	<u>3,182,797</u>	<u>1,344,191</u>	<u>472,194</u>	<u>601,494</u>	<u>5,600,676</u>	<u>1,115,868</u>	<u>605,527</u>	<u>7,322,071</u>
Office rent and occupancy	400,657	168,897	59,292	75,542	704,388	145,880	76,230	926,498
Donated legal services	52,466	53,930	143,387	57,311	307,094	94,487	-	401,581
Professional fees	3,465	1,463	514	655	6,097	250,097	106,228	362,422
Depreciation and amortization	109,139	45,801	16,300	20,626	191,866	39,765	20,823	252,454
Technology	147,913	60,406	21,332	26,583	256,234	51,390	28,667	336,291
Telephone and internet	39,454	14,926	3,702	6,749	64,831	14,751	5,925	85,507
Client costs	8,966	11,366	-	-	20,332	-	15,371	35,703
Dues and subscriptions	47,635	16,860	5,724	5,541	75,760	7,422	1,231	84,413
Donated goods for clients	9,242	4,621	1,541	-	15,404	-	-	15,404
Insurance	21,875	9,253	3,226	4,088	38,442	6,999	4,149	49,590
Banking and payroll fees	19,577	8,261	2,859	3,560	34,257	7,803	3,701	45,761
Transportation	16,992	1,951	71	15	19,029	3,990	3	23,022
Litigation costs	6,187	14,071	3,517	56	23,831	-	-	23,831
Program contributions	-	-	-	15,000	15,000	-	-	15,000
Office supplies	2,192	915	327	402	3,836	1,427	411	5,674
Meetings and staff costs	4,630	1,642	663	1,083	8,018	8,966	776	17,760
Postage	2,005	844	281	376	3,506	1,084	585	5,175
Printing and design	8,478	3,580	1,259	8,836	22,153	2,430	8,919	33,502
Bad debt expense	-	-	-	-	-	13,320	-	13,320
Training and development	6,032	3,366	644	468	10,510	18,551	25	29,086
Other event expense	-	-	-	-	-	-	708	708
TOTAL EXPENSES	<u>\$ 4,089,702</u>	<u>\$ 1,766,344</u>	<u>\$ 736,833</u>	<u>\$ 828,385</u>	<u>\$ 7,421,264</u>	<u>\$ 1,784,230</u>	<u>\$ 879,279</u>	<u>\$ 10,084,773</u>

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

THE CHILDREN'S LAW CENTER, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

Cash flows from operating activities	
Change in net assets	\$ 3,126,040
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	252,454
Net realized and unrealized gains	(31,689)
Non-cash stock donations	(15,208)
Changes in operating assets and liabilities:	
Accounts and contracts receivable	(491,647)
Contributions receivable	(861,261)
Prepaid expenses and other current assets	(98,534)
Accounts payable	(2,630)
Accrued expenses	17,039
Deferred revenue	209,701
Deferred rent and tenant improvement allowance	(170,381)
Net cash provided by operating activities	<u>1,933,884</u>
Cash flows from investing activities	
Purchase of property and equipment	(72,407)
Purchases of investments	(2,474,939)
Proceeds from sales of investments	<u>1,025,478</u>
Net cash used by investing activities	<u>(1,521,868)</u>
Net change in cash and cash equivalents	412,016
Cash, beginning of period	<u>6,467,185</u>
Cash, end of period	<u><u>\$ 6,879,201</u></u>

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

THE CHILDREN’S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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 the abuse and neglect system. CLC does not stop there; CLC also partners with judges, social workers, schools, and medical professionals to fight for the education and health care children in foster care need to thrive.
- *Systemic 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 low-income 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 additional support during the COVID-19 pandemic, historic special education reforms, pressing agencies to better prepare older youth who age out of foster care or improving behavioral health services within DC schools – CLC’s policy advocacy delivers real results that have improved hundreds of thousands of 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. Because health and education are inextricably linked, 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.

THE CHILDREN’S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

2. Program Activities (continued)

- *Pro Bono* - Although Children’s Law Center is one of the largest civil legal services providers 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 whose caregivers are disputing custody, 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.

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.

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

3. Summary of Significant Accounting Policies (continued)

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.

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.

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

3. Significant Accounting Policies (continued)

Receivables

Contributions Receivable

Contributions are recorded at the earlier of the date received or the date of receipt of a donor's unconditional promise or pledge. Conditional promises to give are not included as support until the conditions are substantially met. 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, 2021, no allowance for doubtful accounts was recorded. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved.

Accounts and Contracts Receivable

Accounts and contracts receivable are for reimbursement of costs incurred under federal awards and contract agreements. Billed amounts represent invoices that have been prepared and sent to the responsible parties. Accounts and contracts receivable are recorded at net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

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

Legal Advocacy

The legal advocacy services performed under a contract with a Medicaid managed care organization are earned on a per-case basis, with no stated required number of cases to be handled. CLC recognizes revenue as each case is completed and amounts due under the contract but not yet received are recorded in contracts receivable in the statement of financial position.

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

3. Significant Accounting Policies (continued)

Revenue Recognition (continued)

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. As of December 31, 2021, the aggregate amount of the transaction price allocated to the remaining performance obligation is \$4,329,715.

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 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 possessing 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.

THE CHILDREN’S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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 2020, 2019 and 2018, remain open to examination by the taxing jurisdictions.

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.

THE CHILDREN’S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

3. Significant Accounting Policies (continued)

Fair Value Measurements (continued)

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.

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 year ended December 31, 2021, there were no significant transfers in or out of levels 1, 2 or 3.

THE CHILDREN’S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

3. Significant Accounting Policies (continued)

New Accounting Pronouncement – Adopted

In May 2014, FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU provides guidance for recognizing revenue under contractual arrangements. The overall objective is to recognize revenue as promised goods and services are transferred to customers and involves employing a five-step determination process.

Analysis of various provisions of this standard resulted in no significant changes in the manner CLC recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

New Accounting Pronouncements – Future Periods

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 April 22, 2022, the date the financial statements were available to be issued.

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

4. Availability and Liquidity

The following reflects CLC's financial assets at December 31, 2021, 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	\$ 6,879,201
Contracts and accounts receivable	992,727
Contributions receivable	<u>1,839,414</u>
Total receivables	2,832,141
Current investments	989,948
Long-term investments	<u>2,261,897</u>
Total financial assets	<u>12,963,187</u>
Less amounts not available to be used within one year	
Long-term investments	2,261,897
Contributions receivable - noncurrent	535,102
Net assets with donor restrictions	<u>2,071,357</u>
	<u>4,868,356</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,094,831</u>

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).

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

5. Investments

Investments consist of the following at December 31, 2021:

		(Note 3) <u>Fair Value Levels</u>
Short-term investments		
Certificates of deposit	2	\$ 490,013
Cash and money markets	1	250,433
Mutual funds	1	249,502
		<u>989,948</u>
Long-term investments		
Cash and money markets	1	43,383
Mutual funds	1	1,856,133
Exchange traded funds	1	362,381
		<u>2,261,897</u>
Total investments		<u>\$ 3,251,845</u>

6. Contributions Receivables

Contributions receivable that are expected to be collected in future years are discounted to present values using US treasury bill rate corresponding to the life of the pledge, at the time the unconditional promises are made. The discount rates for 2021 range from .73% to .95%. The discount is amortized to support from contributions over the contribution collection period.

Contribution receivable at December 31, 2021 are expected to be collected as follows:

Annual event pledges due in less than one year		\$ 402,964
Contributions due in less than one year		901,348
Contributions due in two to three years		<u>550,000</u>
Total contributions receivable		1,854,312
Less:		
Discount for present value		<u>(14,898)</u>
Contributions receivable, net		<u>\$ 1,839,414</u>

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

7. Property and Equipment

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

Computer equipment	\$	258,082
Database software		179,971
Leasehold improvements		1,785,045
Office furniture		339,662
Telephone equipment		<u>71,481</u>
Total property and equipment		2,634,241
Less: Accumulated depreciation and amortization		<u>(1,520,833)</u>
Property and equipment, net	\$	<u><u>1,113,408</u></u>

Depreciation and amortization expense for the year ended December 31, 2021 is \$252,454.

8. Net Assets With Donor Restrictions

CLC's net assets with restrictions consist of the following at December 31, 2021:

Purpose restricted pledges and grants		
Healthy Together	\$	1,283,005
Policy		323,333
Pro Bono		<u>8,750</u>
Total purpose restricted grants and pledges		1,615,088
Time restricted pledges and grants		
Future benefit income		15,000
Other pledges and grants		<u>441,269</u>
Total	\$	<u><u>2,071,357</u></u>

THE CHILDREN’S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

9. Donated Services and In-Kind Contributions

CLC received donated professional services and materials as follows during the year ended December 31, 2021:

	Program Services	General and Administrative	Total
Hope Drive	\$ 15,403	\$ -	\$ 15,403
Legal services	307,094	94,487	401,581
	\$ 322,497	\$ 94,487	\$ 416,984

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 June 21, 2022. At December 31, 2021, 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 year ended December 31, 2021 totaled \$167,076, which is included in personnel costs on the statement of functional expenses.

12. Concentration of Risk

At December 31, 2021, the DC Superior Court contract represented 34%, and two additional donors represented 34% of the outstanding receivables balance. During the year ended December 31, 2021, revenue from the DC Superior Court contract represented 44% 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.

THE CHILDREN’S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

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 contract has been extended through September 30, 2022, for the fourth and final option-year.

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 year ended December 31, 2021, was approximately \$930,000.

Future minimum lease payments are approximately as follows:

Years ending December 31, 2022	\$	1,088,000
2023		1,119,000
2024		1,147,000
2025		1,175,000
2026		1,205,000
2027 and thereafter		<u>1,235,000</u>
	\$	<u>6,969,000</u>

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2021

15. Paycheck Protection Program

On April 5, 2021, CLC received loan proceeds in the amount of \$1,366,607 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.

CLC initially recorded the loan as a refundable advance in accordance with guidance for conditional contributions. During 2021, CLC has met the forgiveness requirements and obtained the forgiveness notice of the full PPP funding on January 28, 2022. The forgiveness of the loan totaling \$1,366,607 is recognized as revenue from contributions on the statements of activities for the year ended December 31, 2021.