

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

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT**

---

**December 31, 2024 and 2023**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
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 statements of financial position as of December 31, 2024 and 2023 and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Law Center, Inc. as of December 31, 2024 and 2023, and the changes in its net assets, its functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our 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.

### 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.

A handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style. The word "Rubins" is followed by an ampersand "&" and then the word "Company".

Bethesda, Maryland  
June 4, 2025

**THE CHILDREN'S LAW CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,794,468	\$ 1,817,786
Receivables		
Accounts and contracts receivable	1,177,334	1,125,952
Other receivables	49,981	58,900
Contributions receivable, net	<u>1,045,804</u>	<u>1,044,013</u>
Total current receivables	2,273,119	2,228,865
Other current assets		
Prepaid expenses and other current assets	125,627	314,401
Investments	<u>5,429,941</u>	<u>5,523,595</u>
Total other current assets	<u>5,555,568</u>	<u>5,837,996</u>
Total current assets	<u>9,623,155</u>	<u>9,884,647</u>
Noncurrent assets		
Contributions receivable, net of current	1,137,696	344,408
Investments	2,779,126	2,555,151
Property and equipment, net	465,564	722,594
Operating lease right-of-use asset, net	-	3,361,406
Security deposits and other noncurrent assets	<u>235,590</u>	<u>79,670</u>
Total noncurrent assets	<u>4,617,976</u>	<u>7,063,229</u>
Total assets	<u>\$ 14,241,131</u>	<u>\$ 16,947,876</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ 103,000	\$ 60,219
Accrued payroll and related liabilities	203,743	479,856
Deferred revenue	159,901	152,167
Operating lease liability, current	<u>383,496</u>	<u>1,079,686</u>
Total current liabilities	<u>850,140</u>	<u>1,771,928</u>
Noncurrent liabilities		
Operating lease liability, noncurrent	<u>-</u>	<u>3,524,581</u>
Total liabilities	<u>850,140</u>	<u>5,296,509</u>
Net assets		
Without donor restrictions	11,106,163	10,295,580
With donor restrictions	<u>2,284,828</u>	<u>1,355,787</u>
Total net assets	<u>13,390,991</u>	<u>11,651,367</u>
Total liabilities and net assets	<u>\$ 14,241,131</u>	<u>\$ 16,947,876</u>

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

**THE CHILDREN'S LAW CENTER, INC.**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2024 and 2023**

	<b>Year Ended December 31, 2024</b>			<b>Year Ended December 31, 2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Revenue and support						
DC court contractual services	\$ 6,500,000	-	\$ 6,500,000	\$ 6,895,165	\$ -	\$ 6,895,165
Contributions and grants	3,370,925	4,138,716	7,509,641	2,172,732	2,410,463	4,583,195
Gross revenue and donations	-	-	-	868,225	-	868,225
Less - direct expenses	-	-	-	(88,583)	-	(88,583)
Donated goods and services	2,760,814	-	2,760,814	2,432,856	-	2,432,856
Other revenue	346,648	-	346,648	376,144	-	376,144
Net assets released from restrictions	3,209,675	(3,209,675)	-	2,794,800	(2,794,800)	-
Total revenue and support	<u>16,188,062</u>	<u>929,041</u>	<u>17,117,103</u>	<u>15,451,339</u>	<u>(384,337)</u>	<u>15,067,002</u>
Expenses						
Program services						
Guardian Ad Litem	5,162,578	-	5,162,578	5,502,026	-	5,502,026
Heathy Together	4,927,701	-	4,927,701	4,132,997	-	4,132,997
Pro Bono	968,490	-	968,490	863,724	-	863,724
Systemic Advocacy	1,813,738	-	1,813,738	1,294,567	-	1,294,567
Total program services	<u>12,872,507</u>	<u>-</u>	<u>12,872,507</u>	<u>11,793,314</u>	<u>-</u>	<u>11,793,314</u>
Supporting services						
General & administrative	2,194,002	-	2,194,002	2,096,716	-	2,096,716
Fundraising	1,279,497	-	1,279,497	1,063,640	-	1,063,640
Total supporting services	<u>3,473,499</u>	<u>-</u>	<u>3,473,499</u>	<u>3,160,356</u>	<u>-</u>	<u>3,160,356</u>
Total expenses	<u>16,346,006</u>	<u>-</u>	<u>16,346,006</u>	<u>14,953,670</u>	<u>-</u>	<u>14,953,670</u>
Change in net assets from operations	(157,944)	929,041	771,097	497,669	(384,337)	113,332
Non-operating activity						
Gain on termination of lease	449,541	-	449,541	-	-	-
Investment income, net	518,986	-	518,986	325,993	-	325,993
Change in net assets	810,583	929,041	1,739,624	823,662	(384,337)	439,325
Net assets, beginning of period	<u>10,295,580</u>	<u>1,355,787</u>	<u>11,651,367</u>	<u>9,471,918</u>	<u>1,740,124</u>	<u>11,212,042</u>
Net assets, end of period	<u>\$ 11,106,163</u>	<u>\$ 2,284,828</u>	<u>\$ 13,390,991</u>	<u>\$ 10,295,580</u>	<u>\$ 1,355,787</u>	<u>\$ 11,651,367</u>

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, 2024**

	<b>Program Services</b>					<b>Supporting Services</b>		
	<b>Guardian Ad Litem</b>	<b>Healthy Together</b>	<b>Pro Bono</b>	<b>Systemic Advocacy</b>	<b>Total Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Personnel costs								
Salary	\$ 3,210,447	\$ 1,908,097	\$ 539,070	\$ 731,315	\$ 6,388,929	\$ 1,171,258	\$ 663,077	\$ 8,223,264
Benefits	845,905	503,778	142,435	192,964	1,685,082	290,573	175,881	2,151,536
Payroll taxes	266,620	158,021	44,603	60,626	529,870	99,353	55,150	684,373
Total personnel costs	4,322,972	2,569,896	726,108	984,905	8,603,881	1,561,184	894,108	11,059,173
Donated legal services	68,865	1,819,476	127,279	672,801	2,688,421	62,428	-	2,750,849
Office rent and occupancy	302,620	179,400	50,969	68,767	601,756	107,486	61,500	770,742
Professional fees	13,685	31,242	2,271	3,081	50,279	189,894	233,775	473,948
Other fundraising costs	-	-	-	-	-	-	21,582	21,582
Technology	86,154	64,543	14,517	19,720	184,934	65,495	20,160	270,589
Depreciation and amortization	76,033	45,177	12,732	17,338	151,280	90,115	15,635	257,030
Telephone and internet	53,683	19,694	7,871	12,162	93,410	26,192	10,039	129,641
Dues and subscriptions	44,051	27,245	7,075	9,440	87,811	18,731	820	107,362
Transportation	64,795	23,366	1,273	691	90,125	6,102	549	96,776
Banking and payroll fees	26,812	15,774	4,406	6,091	53,083	17,549	5,898	76,530
Litigation costs	2,994	66,733	362	421	70,510	-	-	70,510
Insurance	26,177	15,569	4,408	5,964	52,118	9,599	5,410	67,127
Printing and design	29,122	17,353	4,886	6,629	57,990	-	-	57,990
Meetings and staff costs	14,556	17,983	2,194	3,901	38,634	1,960	7,051	47,645
Training and development	6,554	1,470	121	307	8,452	15,425	445	24,322
Office supplies	9,670	5,842	1,668	1,041	18,221	3,615	1,904	23,740
Client costs	11,720	5,682	-	-	17,402	127	-	17,529
Donated goods for clients	-	-	-	-	-	9,966	-	9,966
Bad debt expense	-	-	-	-	-	7,564	-	7,564
Postage	2,115	1,256	350	479	4,200	570	621	5,391
<b>Total expenses</b>	<b>\$ 5,162,578</b>	<b>\$ 4,927,701</b>	<b>\$ 968,490</b>	<b>\$ 1,813,738</b>	<b>\$ 12,872,507</b>	<b>\$ 2,194,002</b>	<b>\$ 1,279,497</b>	<b>\$ 16,346,006</b>

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, 2023**

	<b>Program Services</b>					<b>Supporting Services</b>		
	<b>Guardian Ad Litem</b>	<b>Healthy Together</b>	<b>Pro Bono</b>	<b>Systemic Advocacy</b>	<b>Total Program Services</b>	<b>General &amp; Administrative</b>	<b>Fundraising</b>	<b>Total</b>
Personnel costs								
Salary	\$ 3,303,729	\$ 1,370,233	\$ 455,379	\$ 622,595	\$ 5,751,936	\$ 1,073,282	\$ 592,340	\$ 7,417,558
Benefits	867,935	359,762	122,886	164,052	1,514,635	233,853	155,328	1,903,816
Payroll taxes	273,598	113,576	37,716	51,505	476,395	83,980	48,815	609,190
Total personnel costs	4,445,262	1,843,571	615,981	838,152	7,742,966	1,391,115	796,483	9,930,564
Donated legal services	78,368	1,820,673	119,888	268,711	2,287,640	125,054	4,676	2,417,370
Office rent and occupancy	410,603	170,084	56,565	77,435	714,687	129,853	73,562	918,102
Professional fees	7,259	25,011	1,001	19,098	52,369	206,883	99,000	358,252
Technology	139,210	57,458	19,005	26,042	241,715	55,868	25,154	322,737
Depreciation and amortization	88,494	36,656	12,204	16,699	154,053	28,064	15,862	197,979
Telephone and internet	49,051	20,821	6,819	9,210	85,901	38,522	8,786	133,209
Dues and subscriptions	38,104	20,837	5,988	8,556	73,485	32,542	1,665	107,692
Transportation	65,896	18,324	2,980	397	87,597	(5,141)	1,417	83,873
Banking and payroll fees	27,679	11,490	3,886	5,317	48,372	8,838	4,957	62,167
Litigation costs	12,744	49,900	2,432	974	66,050	11	-	66,061
Insurance	29,638	12,268	4,078	5,592	51,576	9,373	5,309	66,258
Printing and design	33,947	14,080	4,679	6,397	59,103	517	106	59,726
Meetings and staff costs	35,205	19,565	4,551	7,973	67,294	(2,688)	22,841	87,447
Training and development	10,512	2,841	1,059	415	14,827	28,625	1,489	44,941
Office supplies	10,963	4,598	1,530	2,133	19,224	16,632	1,962	37,818
Client costs	11,534	1,672	40	54	13,300	-	-	13,300
Donated goods for clients	-	-	-	-	-	15,486	-	15,486
Bad debt expense	-	-	-	-	-	16,000	-	16,000
Postage	7,557	3,148	1,038	1,412	13,155	1,162	371	14,688
<b>Total expenses</b>	<b>\$ 5,502,026</b>	<b>\$ 4,132,997</b>	<b>\$ 863,724</b>	<b>\$ 1,294,567</b>	<b>\$ 11,793,314</b>	<b>\$ 2,096,716</b>	<b>\$ 1,063,640</b>	<b>\$ 14,953,670</b>

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



**THE CHILDREN'S LAW CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,739,624	\$ 439,325
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation and amortization	257,030	197,979
Gain on lease termination	(449,541)	-
Operating lease right-of-use asset and liability, net	(409,824)	(239,029)
Net realized and unrealized (gains) losses	(199,869)	(243,294)
Non-cash stock donations	(306,010)	(130,962)
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(51,382)	(505,962)
Contributions receivable	(795,079)	339,387
Other receivables	8,919	(58,900)
Prepaid expenses and other current assets	188,774	57,186
Deposits	(155,920)	-
Accounts payable	42,781	(19,635)
Accrued expenses	(276,113)	168,338
Deferred revenue	7,734	(169,714)
Net cash used by operating activities	<u>(398,876)</u>	<u>(165,281)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	-	(21,036)
Purchases of investments	(713,091)	(4,254,125)
Proceeds from sales of investments	1,088,649	(689,431)
Net cash provided (used) by investing activities	<u>375,558</u>	<u>(4,964,592)</u>
Net change in cash and cash equivalents	(23,318)	(5,129,873)
Cash, beginning of period	<u>1,817,786</u>	<u>6,947,659</u>
Cash, end of period	<u>\$ 1,794,468</u>	<u>\$ 1,817,786</u>

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

**THE CHILDREN'S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2024 and 2023**

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**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 believes every child should grow up with a strong foundation of family, health and education and live in a world free from poverty, trauma, racism and other forms of oppression. Our more than 100 staff together with DC children and families, community partners and pro bono attorneys use the law to solve children's urgent problems today and improve the systems that will affect their lives tomorrow. Since our founding in 1996, we have reached more than 50,000 children and families directly and multiplied our impact by advocating for city-wide solutions that benefit hundreds of thousands more.

**2. Program Activities**

CLC's program services include the following:

- *Guardian Ad Litem* – Children's Law Center's attorneys are appointed by judges within the DC Superior Court to represent approximately half the children involved with the DC Child and Family Services Agency – several hundred children in foster care and protective supervision each year. We make sure their perspectives and wishes are heard, and their best interests are prioritized. Our representation includes multi-disciplinary teams of attorneys, social workers, investigators and education attorneys who advocate for the support children need to heal from the traumas that brought them into the child welfare system and to leave the foster care system safe, healthy and learning.
- *Systemic Advocacy* – Our systemic advocacy is grounded in our experience working with more than 50,000 District children and families since our founding in 1996. We use this expertise to partner with the Mayor, District agencies, the DC Council, other advocates, parents and youth to find and implement city-wide solutions that better serve children's needs. We work to change laws, policies and practice and appellate caselaw. We also secure media coverage to raise awareness about the District's successes and failures in meeting children's needs. Whether it is ensuring appellate caselaw provides concrete guidance on how to evaluate the harm of removal when determining whether to place a child in foster care, securing historic special education reforms, filing class action lawsuits to improve bus transportation for students with disabilities, pressing agencies to better prepare older youth who age out of foster care or improving behavioral health services within DC schools – our policy, impact litigation and appellate advocacy deliver real results that have improved hundreds of thousands of children's lives.

**THE CHILDREN’S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2024 and 2023**

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**2. Program Activities (continued)**

- *Healthy Together* – Unsafe housing, inadequate education, exposure to violence, lack of good health care and other problems related to poverty, trauma and racism can harm children’s physical and behavioral health. Through our Healthy Together program, Children’s Law Center partners with pediatricians throughout eight community health centers and clinics to find and fix the root causes of a child’s health problem such as advocating for landlords to repair water damage that led to mold which exacerbates a child’s asthma. And because health and education are inextricably linked, Children’s Law Center 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, Children’s Law Center works with parents and schools to get a child’s education back on track – from ensuring testing for learning disabilities at an early age to making sure students with disabilities or behavioral health issues have an appropriate plan that meets their learning needs.
- *Pro Bono* - Although Children’s Law Center is one of the largest nonprofit legal providers in DC, many more children come to us than we can help. Our pro bono team places children, parents and caregivers in need of legal services with 500 pro bono attorneys every year from the area’s top law firms, in-house legal departments and government agencies to help fill the gap. Regardless of their prior experience or what type of case they take, pro bono lawyers find success helping DC children because of our comprehensive intakes and our commitment to high-quality training and mentoring. Our in-house team of lawyers also helps 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.

**THE CHILDREN'S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2024 and 2023**

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**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 returns 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.

**THE CHILDREN'S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2024 and 2023**

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**3. Summary of Significant Accounting Policies (continued)**

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. Money market funds managed and held in the investment portfolio, for short-term expenses, are also classified as investments.

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

*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, 2024 and 2023, no allowance for doubtful accounts were 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 credit losses has not been established.

**THE CHILDREN’S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2024 and 2023**

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**3. Summary of Significant Accounting Policies (continued)**

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.

Leases

At lease inception, CLC determines whether an arrangement is or contains a lease. Operating leases are included in operating lease right-of-use (“ROU”) assets, current operating lease liabilities, and noncurrent operating lease liabilities in the financial statements. ROU assets represent CLC’s right to use leased assets over the term of the lease. Lease liabilities represent CLC’s contractual obligation to make lease payments over the lease term.

For operating leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured as the present value of the lease payments over the lease term. CLC uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, CLC uses a risk-free borrowing rate at the commencement date of the lease to determine the present value of the lease payments. Operating ROU assets are calculated as the present value of the remaining lease payments plus unamortized initial direct costs plus any prepayments less any unamortized lease incentives received. Lease terms may include renewal or extension options to the extent they are reasonably certain to be exercised. The assessment of whether renewal or extension options are reasonably certain to be exercised is made at lease commencement. Factors considered in determining whether an option is reasonably certain of exercise include, but are not limited to, the value of any leasehold improvements, the value of renewal rates compared to market rates, and the presence of factors that would cause a significant economic penalty to CLC if the option were not exercised. Lease expense is recognized on a straight-line basis over the lease term. CLC has elected not to recognize an ROU asset and obligation for leases with an initial term of twelve months or less.

**THE CHILDREN’S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2024 and 2023**

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**3. Summary of Significant Accounting Policies (continued)**

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.

*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. In November 2023, CLC executed a one-year fixed price contract with the DC Superior Court with an initial expiration date of November 14, 2024. That contract includes annual renewals for three one-year periods.

In November 2024, CLC executed the first option year under this agreement. Amounts due under the contract but not yet received are recorded in contracts receivable in the statement of financial position. As of December 31, 2024 and 2023, the aggregate amounts of the transaction price allocated to the remaining performance obligation was \$5,416,667 and \$5,687,500, respectively.

*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. 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.

**THE CHILDREN’S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2024 and 2023**

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**3. Summary of Significant Accounting Policies (continued)**

Revenue Recognition (continued)

*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.

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 2023, 2022 and 2021 remain open to examination by the taxing jurisdictions.



**THE CHILDREN'S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**3. Summary of 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.

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.

**THE CHILDREN'S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended December 31, 2024 and 2023**

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**3. Summary of Significant Accounting Policies (continued)**

Fair Value Measurements (continued)

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 years ended December 31, 2024 and 2023, there were no significant transfers in or out of levels 1, 2 or 3.

Subsequent Events

Management has evaluated subsequent events through June 4, 2025, the date the financial statements were available to be issued.

On May 1, 2025, CLC took occupancy of the office space from CC II, LLC as described in Note 13. As a result, CLC will recognize a lease liability of approximately \$6.3 million.

In March 2025, CLC's bank issued a letter of credit for the benefit of CC II, LLC in the amount of \$155,920 which is secured by certain deposits at the bank. In accordance with the lease terms, CC II, LLC shall return the initial security deposit sixty days after the issuance of the letter of credit.

**THE CHILDREN'S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. Availability and Liquidity**

The following reflects CLC's financial assets at December 31, 2024 and 2023, 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.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,794,468	\$ 1,817,786
Contracts and accounts receivable	1,177,334	1,125,952
Contributions receivable	2,183,500	1,388,421
Other receivables	<u>49,981</u>	<u>58,900</u>
Total receivables	3,410,815	2,573,273
Current investments	5,429,941	5,523,595
Long-term investments	<u>2,779,126</u>	<u>2,555,151</u>
Total investments	8,209,067	8,078,746
Total financial assets	<u>13,414,350</u>	<u>12,469,805</u>
Less amounts not available to be used within one year		
Long-term investments	2,779,126	2,555,151
Contributions receivable - noncurrent	1,137,696	344,408
Net assets with donor restrictions	<u>1,038,328</u>	<u>645,882</u>
	<u>4,955,150</u>	<u>3,545,441</u>
Financial assets available to meet cash needs		
for general expenditures within one year	<u>\$ 8,459,200</u>	<u>\$ 8,924,364</u>

CLC's goal is to maintain financial assets to meet 90 days of operating expenses plus a 10% contingency (approximately \$4,490,000 and \$5,250,000 for 2024 and 2023, respectively). 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.

**THE CHILDREN'S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. Investments**

Investments consist of the following at December 31, 2024 and 2023:

	(Note 3)		
	Fair Value Levels	2024	2023
Short-term investments			
Certificates of deposit	2	\$ 1,730,262	\$ 1,473,017
Cash and money markets	1	552,000	4,050,578
Mutual funds	1	1,171,300	-
Government securities	1	1,976,379	-
		<u>5,429,941</u>	<u>5,523,595</u>
Long-term investments			
Cash and money markets	1	3,519	751
Mutual funds	1	2,287,384	2,114,112
Exchange traded funds	1	488,222	440,288
		<u>2,779,126</u>	<u>2,555,151</u>
Total investments		<u>\$ 8,209,067</u>	<u>\$ 8,078,746</u>

**6. Contributions Receivable**

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 both 2024 and 2023 range from 3.84% to 4.79%. The discount is amortized to support from contributions over the contribution collection period.

Contributions receivable at December 31, 2024 and 2023 are expected to be collected as follows:

	2024	2023
Contributions due in less than one year	\$ 1,045,804	\$ 1,044,013
Contributions due in two to three years	<u>1,246,500</u>	<u>364,999</u>
Total contributions receivable	2,292,304	1,409,012
Discount for present value	<u>(108,804)</u>	<u>(20,591)</u>
Contributions receivable, net	<u>\$ 2,183,500</u>	<u>\$ 1,388,421</u>

**THE CHILDREN'S LAW CENTER, INC.**  
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**7. Property and Equipment**

Property and equipment consist of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Computer equipment	\$ 171,990	\$ 171,990
Database software	158,795	158,795
Leasehold improvements	1,785,045	1,785,045
Office furniture	339,662	339,662
Telephone equipment	<u>71,481</u>	<u>71,481</u>
Total property and equipment	2,526,973	2,526,973
Less: Accumulated depreciation and amortization	<u>(2,061,409)</u>	<u>(1,804,379)</u>
Property and equipment, net	<u>\$ 465,564</u>	<u>\$ 722,594</u>

Depreciation and amortization expense for the year ended December 31, 2024 and 2023 is \$257,030 and \$197,979, respectively.

**8. Net Assets With Donor Restrictions**

CLC's net assets with restrictions consist of the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Purpose restricted pledges and grants		
Healthy Together	\$ 192,080	\$ 542,499
Policy	96,248	103,384
SLP	<u>750,000</u>	<u>-</u>
Total purpose restricted grants and pledges	1,038,328	645,882
Time restricted pledges and grants		
Future benefit income	59,000	105,000
Other pledges and grants	<u>1,187,500</u>	<u>604,904</u>
Total	<u>\$ 2,284,828</u>	<u>\$ 1,355,787</u>

**THE CHILDREN'S LAW CENTER, INC.**  
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**9. Donated Services and In-Kind Contributions**

CLC received donated professional services and materials as follows during the year ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Professional services	\$ 2,750,848	\$ 2,417,370
Clothing and toys	<u>9,966</u>	<u>15,486</u>
	<u>\$ 2,760,814</u>	<u>\$ 2,432,856</u>

In valuing the donated clothing and toys, management estimated the fair value on the basis of market value/cost of the goods donated. Donated professional services relate to attorneys advising the organization on various program and administrative legal matters. Donated professional services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar professional services.

**10. 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 years ended December 31, 2024 and 2023 totaled \$244,263 and \$224,393, respectively, which are included in personnel costs on the statement of functional expenses.

**11. Concentration of Risk**

At December 31, 2024, the DC Superior Court contract represented 32% of the outstanding receivables balance. At December 31, 2023, the DC Superior Court contract represented 43%, and one additional donor represented 29% of the outstanding receivables balance. During the years ended December 31, 2024 and 2023, revenue from the DC Superior Court contract represented 36% and 46%, respectively, 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.**  
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**12. 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. The contract was extended through November 14, 2023. In 2023, CLC was awarded another fixed price contract with the DC Superior Court through November 14, 2024. That contract includes options for annual renewals for four one-year periods. In November 2024, CLC executed a contract for the first option year ending November 2025.

**13. Lease Commitments**

CLC has an operating lease of office space with a five-year term. In November 2024, CLC signed a lease termination agreement with the landlord to change the lease termination date from December 31, 2027 to November 1, 2025. The termination agreement contains a holdover option which will allow CLC to exercise the right to stay and continue to rent the property through December 31, 2025. The termination of the agreement resulted in a reduction of the lease liability of \$3,134,930 and a reduction of the right to use asset of \$2,250,600, with a resulting gain on lease termination of \$449,541.

The components of office rent and occupancy expense were as follows:

Operating lease cost	\$ 734,258
Variable lease cost	<u>36,484</u>
Total office rent and occupancy	<u>\$ 770,742</u>

Future lease payments under non-cancellable leases at December 31, 2024 is as follows:

December 31, 2025	\$ <u>386,966</u>
Total	386,966
Less: imputed interest	<u>(3,471)</u>
Operating lease liability	<u>\$ 383,496</u>

The weighted-average remaining lease term related to the operating leases was 11 months and the weighted-average discount rate to the CLC's operating lease was 1.6% as of December 31, 2024. There were no material restrictions or covenants imposed and CLC has no related party leases at December 31, 2024 and 2023.

**THE CHILDREN’S LAW CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**13. Lease Commitments (continued)**

In December 2024, CLC signed a lease with Capitol Crossing II LLC (“CC II, LLC”) for office space in Washington, D.C. The lease has a 15-year term beginning on April 1, 2026, (the “Agreed Lease Commencement Date”), with an option to extend the lease for an additional 5-year term at prevailing market rates. CLC is expected to take occupancy May 1, 2025. Annual base rental payments are \$623,680 beginning on the Agreed Lease Commencement Date and increasing 2.5% annually thereafter. In addition to base rent, CLC is responsible for its prorated share of building operating expenses and taxes. Under the terms of the lease, the first 27 months of rental payments are abated. The lease also includes a construction allowance of up to \$3.1 million for improvements to the leased space. In 2024, CLC paid a security deposit in the amount of \$155,920.

**14. Supplemental Cash Flow Information**

Cash paid for amounts included in the measurement of the operating lease liability for the year ended December 31, 2024 and 2023, totaled \$1,146,654 and \$1,118,687 respectively.