

THE CHILDREN'S LAW CENTER, INC.

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2023 and 2022

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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, 2023 and 2022 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, 2023 and 2022, 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
May 14, 2024

THE CHILDREN'S LAW CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,817,786	\$ 6,947,659
Receivables		
Accounts and contracts receivable	1,125,952	619,990
Other receivables	58,900	-
Contributions receivable, net	<u>1,044,013</u>	<u>1,211,252</u>
Total current receivables	2,228,865	1,831,242
Other current assets		
Prepaid expenses and other current assets	314,401	371,587
Investments	<u>5,523,595</u>	<u>494,931</u>
Total other current assets	5,837,996	866,518
Total current assets	<u>9,884,647</u>	<u>9,645,419</u>
Noncurrent assets		
Contributions receivable, net of current	344,408	516,556
Investments	2,555,151	2,266,003
Property and equipment, net	722,594	899,537
Operating lease right-of-use asset, net	3,361,406	4,156,920
Security deposit and other noncurrent assets	<u>79,670</u>	<u>79,670</u>
Total noncurrent assets	<u>7,063,229</u>	<u>7,918,686</u>
Total assets	<u>\$ 16,947,876</u>	<u>\$ 17,564,105</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 60,219	\$ 79,854
Accrued payroll and related liabilities	479,856	311,518
Deferred revenue	152,167	321,881
Operating lease liability, current	<u>1,079,686</u>	<u>1,034,542</u>
Total current liabilities	<u>1,771,928</u>	<u>1,747,795</u>
Noncurrent liabilities		
Operating lease liability, noncurrent	<u>3,524,581</u>	<u>4,604,268</u>
Total liabilities	<u>5,296,509</u>	<u>6,352,063</u>
Net assets		
Without donor restrictions	10,295,580	9,471,918
With donor restrictions	<u>1,355,787</u>	<u>1,740,124</u>
Total net assets	<u>11,651,367</u>	<u>11,212,042</u>
Total liabilities and net assets	<u>\$ 16,947,876</u>	<u>\$ 17,564,105</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, 2023 and 2022

	Year Ended December 31, 2023			Year Ended December 31, 2022		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support						
DC court contractual services	\$ 6,895,165	\$ -	\$ 6,895,165	\$ 6,068,033	\$ -	\$ 6,068,033
Contributions and grants	2,172,732	2,410,463	4,583,195	1,210,394	1,770,279	2,980,673
Annual event						
Gross revenue and donations	868,225	-	868,225	1,266,827	-	1,266,827
Less - direct expenses	(88,583)	-	(88,583)	(90,163)	-	(90,163)
Donated goods and services	2,432,856	-	2,432,856	1,165,263	-	1,165,263
Other revenue	376,144	-	376,144	234,333	-	234,333
Net assets released from restrictions	2,794,800	(2,794,800)	-	2,101,512	(2,101,512)	-
Total revenue and support	<u>15,451,339</u>	<u>(384,337)</u>	<u>15,067,002</u>	<u>11,956,199</u>	<u>(331,233)</u>	<u>11,624,966</u>
Expenses						
Program services						
Guardian Ad Litem	5,502,026	-	5,502,026	4,484,812	-	4,484,812
Heathy Together	4,132,997	-	4,132,997	2,875,122	-	2,875,122
Pro Bono	863,724	-	863,724	749,612	-	749,612
Systemic Advocacy	1,294,567	-	1,294,567	930,948	-	930,948
Total program services	<u>11,793,314</u>	<u>-</u>	<u>11,793,314</u>	<u>9,040,494</u>	<u>-</u>	<u>9,040,494</u>
Supporting services						
General & administrative	2,096,716	-	2,096,716	1,990,964	-	1,990,964
Fundraising	1,063,640	-	1,063,640	941,808	-	941,808
Total supporting services	<u>3,160,356</u>	<u>-</u>	<u>3,160,356</u>	<u>2,932,772</u>	<u>-</u>	<u>2,932,772</u>
Total expenses	<u>14,953,670</u>	<u>-</u>	<u>14,953,670</u>	<u>11,973,266</u>	<u>-</u>	<u>11,973,266</u>
Change in net assets from operations	497,669	(384,337)	113,332	(17,067)	(331,233)	(348,300)
Non-operating activity						
Investment income, net	<u>325,993</u>	<u>-</u>	<u>325,993</u>	<u>(491,040)</u>	<u>-</u>	<u>(491,040)</u>
Change in net assets	823,662	(384,337)	439,325	(508,107)	(331,233)	(839,340)
Net assets, beginning of period	<u>9,471,918</u>	<u>1,740,124</u>	<u>11,212,042</u>	<u>9,980,025</u>	<u>2,071,357</u>	<u>12,051,382</u>
Net assets, end 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>

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

	Program Services					Supporting Services		
	<u>Guardian Ad Litem</u>	<u>Healthy Together</u>	<u>Pro Bono</u>	<u>Policy Work and Advocacy</u>	<u>Total Program Services</u>	<u>General & Administrative</u>	<u>Fundraising</u>	<u>Total</u>
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
Meetings and staff costs	35,205	19,565	4,551	7,973	67,294	(2,688)	22,841	87,447
Insurance	29,638	12,268	4,078	5,592	51,576	9,373	5,309	66,258
Litigation costs	12,744	49,900	2,432	974	66,050	11	-	66,061
Banking and payroll fees	27,679	11,490	3,886	5,317	48,372	8,838	4,957	62,167
Printing and design	33,947	14,080	4,679	6,397	59,103	517	106	59,726
Training and development	10,512	2,841	1,059	415	14,827	28,625	1,489	44,941
Transportation	65,896	18,324	2,980	397	87,597	(5,141)	1,417	83,873
Bad debt expense	-	-	-	-	-	16,000	-	16,000
Donated goods for clients	-	-	-	-	-	15,486	-	15,486
Postage	7,557	3,148	1,038	1,412	13,155	1,162	371	14,688
Client costs	11,534	1,672	40	54	13,300	-	-	13,300
Office supplies	10,963	4,598	1,530	2,133	19,224	16,632	1,962	37,818
TOTAL EXPENSES	<u>\$ 5,502,026</u>	<u>\$ 4,132,997</u>	<u>\$ 863,724</u>	<u>\$ 1,294,567</u>	<u>\$ 11,793,314</u>	<u>\$ 2,096,716</u>	<u>\$ 1,063,640</u>	<u>\$ 14,953,670</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, 2022

	Program Services					Supporting Services		
	<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	\$ 2,672,463	\$ 1,320,017	\$ 396,673	\$ 436,990	\$ 4,826,143	\$ 929,711	\$ 506,545	\$ 6,262,399
Benefits	681,076	337,452	101,095	110,991	1,230,614	269,225	128,624	1,628,463
Payroll taxes	220,366	109,435	32,902	36,147	398,850	77,075	42,059	517,984
Total personnel costs	<u>3,573,905</u>	<u>1,766,904</u>	<u>530,670</u>	<u>584,128</u>	<u>6,455,607</u>	<u>1,276,011</u>	<u>677,228</u>	<u>8,408,846</u>
Donated legal services	59,749	682,379	100,127	198,612	1,040,867	110,514	\$ -	1,151,381
Office rent and occupancy	381,999	187,603	56,440	61,391	687,433	130,995	71,532	889,960
Professional fees	19,118	9,443	2,838	21,351	52,750	277,223	112,500	442,473
Technology	123,668	60,842	18,194	19,737	222,441	44,477	23,226	290,144
Depreciation and amortization	96,914	47,462	14,328	15,642	174,346	33,376	18,206	225,928
Telephone and internet	42,059	18,548	4,109	5,918	70,634	14,999	7,091	92,724
Dues and subscriptions	34,241	15,199	6,453	8,526	64,419	7,264	8,089	79,772
Transportation	45,089	10,071	417	1,415	56,992	3,577	391	60,960
Insurance	24,990	12,299	3,705	4,038	45,032	8,517	4,699	58,248
Banking and payroll fees	23,685	11,703	3,434	3,661	42,483	8,510	4,323	55,316
Meetings and staff costs	12,571	6,883	1,534	2,239	23,227	22,536	3,195	48,958
Bad debt expense	-	-	-	-	-	31,738	-	31,738
Printing and Design	15,131	7,474	2,246	2,474	27,325	2,661	-	29,986
Litigation costs	1,411	21,338	2,574	56	25,379	-	-	25,379
Training and development	6,154	2,692	122	464	9,432	14,515	103	24,050
Client costs	9,080	6,978	38	24	16,120	-	7,746	23,866
Office supplies	5,709	2,863	854	1,048	10,474	3,357	1,114	14,945
Donated goods for clients	7,921	3,765	1,320	-	13,006	-	-	13,006
Postage	1,418	676	209	224	2,527	694	316	3,537
Other event expense	-	-	-	-	-	-	2,049	2,049
TOTAL EXPENSES	<u>\$ 4,484,812</u>	<u>\$ 2,875,122</u>	<u>\$ 749,612</u>	<u>\$ 930,948</u>	<u>\$ 9,040,494</u>	<u>\$ 1,990,964</u>	<u>\$ 941,808</u>	<u>\$ 11,973,266</u>

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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 439,325	\$ (839,340)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	197,979	225,928
Operating lease right-of-use asset and liability, net	(239,029)	(208,034)
Loss on disposal of fixed assets	-	4,706
Net realized and unrealized (gains) losses	(243,294)	587,464
Non-cash stock donations	(130,962)	(189,182)
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(505,962)	372,737
Contributions receivable	339,387	111,606
Other receivables	(58,900)	-
Prepaid expenses and other current assets	57,186	(149,273)
Accounts payable	(19,635)	26,454
Accrued expenses	168,338	54,366
Deferred revenue	(169,714)	(4,840)
Net cash used by operating activities	<u>(165,281)</u>	<u>(7,408)</u>
Cash flows from investing activities		
Purchase of property and equipment	(21,036)	(16,763)
Purchases of investments	(4,254,125)	(1,424,751)
Proceeds from sales of investments	(689,431)	1,517,380
Net cash (used) provided by investing activities	<u>(4,964,592)</u>	<u>75,866</u>
Net change in cash and cash equivalents	(5,129,873)	68,458
Cash, beginning of period	<u>6,947,659</u>	<u>6,879,201</u>
Cash, end of period	<u>\$ 1,817,786</u>	<u>\$ 6,947,659</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, 2023 and 2022

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, pressing agencies to better prepare older youth who age out of foster care or improving behavioral health services within DC schools – our policy and appellate advocacy delivers 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, 2023 and 2022

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 400 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 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.

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

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.

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, 2023 and 2022

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, 2023 and 2022, 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 doubtful accounts has not been established.

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

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, 2023 and 2022

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. The initial agreement consisted of an initial contract year, four additional option years, and one additional extension year. That current contract expired September 30, 2023 and was extended to November 14, 2023.

In November 2023, CLC executed a new 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. Amounts due under the contract but not yet received are recorded in contracts receivable in the statement of financial position. As of December 31, 2023 and 2022, the aggregate amounts of the transaction price allocated to the remaining performance obligation are \$5,687,500 and \$5,214,792, 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, 2023 and 2022

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 2022, 2021 and 2020 remain open to examination by the taxing jurisdictions.

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

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, 2023 and 2022

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, 2023 and 2022, there were no significant transfers in or out of levels 1, 2 or 3.

Subsequent Events

Management has evaluated subsequent events through May 14, 2024, the date the financial statements were available to be issued.

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

4. Availability and Liquidity

The following reflects CLC's financial assets at December 31, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,817,786	\$ 6,947,659
Contracts and accounts receivable	1,125,952	619,990
Contributions receivable	1,388,421	1,727,808
Other receivables	<u>58,900</u>	<u>-</u>
Total receivables	2,573,273	2,347,798
Current investments	5,523,595	494,931
Long-term investments	<u>2,555,151</u>	<u>2,266,003</u>
Total investments	8,078,746	2,760,934
Total financial assets	<u>12,469,805</u>	<u>12,056,391</u>
Less amounts not available to be used within one year		
Long-term investments	2,555,151	2,266,003
Contributions receivable - noncurrent	344,408	516,556
Net assets with donor restrictions	<u>1,355,787</u>	<u>1,740,124</u>
	<u>4,255,346</u>	<u>4,522,683</u>
Financial assets available to meet cash needs		
for general expenditures within one year	<u>\$ 8,214,459</u>	<u>\$ 7,533,708</u>

CLC's goal is to maintain financial assets to meet 90 days of operating expenses plus a 10% contingency (approximately \$5,250,000 and \$3,500,000 for 2023 and 2022, 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
Years Ended December 31, 2023 and 2022

5. Investments

Investments consist of the following at December 31, 2023 and 2022:

	(Note 3)		
	<u>Fair Value Levels</u>	<u>2023</u>	<u>2022</u>
Short-term investments			
Certificates of deposit	2	\$ 1,473,017	\$ 246,752
Cash and money markets	1	4,050,578	248,179
		<u>5,523,595</u>	<u>494,931</u>
Long-term investments			
Cash and money markets	1	751	130,449
Mutual funds	1	2,114,112	1,753,807
Exchange traded funds	1	440,288	381,747
		<u>2,555,151</u>	<u>2,266,003</u>
Total investments		<u>\$ 8,078,746</u>	<u>\$ 2,760,934</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 2023 and 2022 range from .73% to 4.4%. The discount is amortized to support from contributions over the contribution collection period.

Contribution receivable at December 31, 2023 and 2022 are expected to be collected as follows:

	<u>2023</u>	<u>2022</u>
Annual event pledges due in less than one year	\$ -	\$ 220,981
Contributions due in less than one year	1,044,013	990,271
Contributions due in two to three years	<u>364,999</u>	<u>537,500</u>
Total contributions receivable	1,409,012	1,748,752
Less:		
Discount for present value	<u>(20,591)</u>	<u>(20,944)</u>
Contributions receivable, net	<u>\$ 1,388,421</u>	<u>\$ 1,727,808</u>

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

7. Property and Equipment

Property and equipment consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 171,990	\$ 150,954
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	2,505,937
Less: Accumulated depreciation and amortization	<u>(1,804,379)</u>	<u>(1,606,400)</u>
Property and equipment, net	<u>\$ 722,594</u>	<u>\$ 899,537</u>

Depreciation and amortization expense for the year ended December 31, 2023 and 2022 is \$197,979 and \$225,928, respectively.

8. Net Assets With Donor Restrictions

CLC's net assets with restrictions consist of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Purpose restricted pledges and grants		
Healthy Together	\$ 542,499	\$ 1,036,108
Policy	<u>103,384</u>	<u>259,279</u>
Total purpose restricted grants and pledges	645,883	1,295,387
Time restricted pledges and grants		
Future benefit income	105,000	15,000
Other pledges and grants	<u>604,904</u>	<u>429,737</u>
Total	<u>\$ 1,355,787</u>	<u>\$ 1,740,124</u>

THE CHILDREN'S LAW CENTER, INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

9. Donated Services and In-Kind Contributions

CLC received donated professional services and materials as follows during the year ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Clothing and toys	\$ 15,486	\$ 13,881
Professional services	<u>2,417,370</u>	<u>1,151,382</u>
	<u>\$ 2,432,856</u>	<u>\$ 1,165,263</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. Line of Credit

CLC had an open-end revolving line of credit with Truist Bank in the amount of \$200,000 dated May 22, 2020. The line of credit was renewed on March 17, 2023, and expired on its March 2024 anniversary. It was not renewed by CLC.

The interest rate was equal to the Truist Prime Rate index plus 0.35% per annum. At December 31, 2023 and 2022, 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 years ended December 31, 2023 and 2022 totaled \$224,393 and \$187,470, respectively, which are included in personnel costs on the statement of functional expenses.

12. Concentration of Risk

At December 31, 2023, the DC Superior Court contract represented 43% of the outstanding receivables balance. At December 31, 2022, the DC Superior Court contract represented 25%, and one additional donor represented 19% of the outstanding receivables balance. During the years ended December 31, 2023 and 2022, revenue from the DC Superior Court contract represented 46% and 52%, 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.
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

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. 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.

14. Lease Commitments

CLC has an operating lease of office space with a remaining lease term of five years. The lease includes a renewal option for an additional five years.

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

Operating lease cost	\$ 879,659
Variable lease cost	<u>38,443</u>
Total office rent and occupancy	<u>\$ 918,102</u>

Future lease payments under non-cancellable leases at December 31, 2023 is as follows:

December 31, 2024	\$ 1,146,654
2025	1,175,320
2026	1,204,703
2027	<u>1,234,821</u>
Total	4,761,498
Less: imputed interest	<u>(157,231)</u>
Operating lease liability	<u>\$ 4,604,267</u>

The weighted-average remaining lease term related to the operating leases was five years and the weighted-average discount rate to the CLC's operating lease was 1.6% as of December 31, 2023.

There were no material restrictions or covenants imposed and CLC has no related party leases at December 31, 2023 and 2022.

15. Supplemental Cash Flow Information

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