

**CHILD CARE LAW CENTER**



**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

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To the Board of Directors  
Child Care Law Center

We have reviewed the accompanying financial statements of Child Care Law Center (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2017, the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

**Accountants' Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

**Accountants' Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

**Summarized Comparative Information**

We previously reviewed Child Care Law Center's 2016 financial statements and in our conclusion dated October 7, 2016, stated that based on our review, we were not aware of any material modifications that should be made to the 2016 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2016, for it to be consistent with the reviewed financial statements from which it has been derived.

*Harrington Group*

San Francisco, California  
August 25, 2017

# CHILD CARE LAW CENTER

## STATEMENT OF FINANCIAL POSITION

June 30, 2017

With comparative totals at June 30, 2016

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash	\$ 195,819	\$ 289,664
Grants and contracts receivable	25,304	16,609
Other assets	9,873	3,820
Property and equipment (Note 3)	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 230,996</u></u>	<u><u>\$ 310,093</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 4,689	\$ 6,833
Accrued liabilities (Note 4)	<u>22,083</u>	<u>32,976</u>
<b>TOTAL LIABILITIES</b>	<u>26,772</u>	<u>39,809</u>
<b>NET ASSETS</b>		
Unrestricted (Note 2)	159,072	172,702
Temporarily restricted (Note 6)	<u>45,152</u>	<u>97,582</u>
<b>TOTAL NET ASSETS</b>	<u>204,224</u>	<u>270,284</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 230,996</u></u>	<u><u>\$ 310,093</u></u>

See independent accountants' review report and notes to financial statements.

## CHILD CARE LAW CENTER

### STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	Unrestricted	Temporarily Restricted	2017	2016
<b>REVENUE AND SUPPORT</b>				
Grants	\$ 120,999	\$ 294,089	\$ 415,088	\$ 432,504
Contracts	102,922		102,922	106,119
Contributions	53,018	350	53,368	74,421
Other income	2,092		2,092	2,863
Net assets released from purpose restrictions	346,869	(346,869)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<u>625,900</u>	<u>(52,430)</u>	<u>573,470</u>	<u>615,907</u>
<b>EXPENSES</b>				
Program services	521,256		521,256	421,567
Management and general	75,094		75,094	97,016
Fundraising	43,180		43,180	55,466
<b>TOTAL EXPENSES</b>	<u>639,530</u>	<u>-</u>	<u>639,530</u>	<u>574,049</u>
<b>CHANGE IN NET ASSETS</b>	(13,630)	(52,430)	(66,060)	41,858
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>172,702</u>	<u>97,582</u>	<u>270,284</u>	<u>228,426</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 159,072</u>	<u>\$ 45,152</u>	<u>\$ 204,224</u>	<u>\$ 270,284</u>

See independent accountants' review report and notes to financial statements.

## CHILD CARE LAW CENTER

### STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				2017	2016
Salaries	\$ 378,547	\$ 32,081	\$ 18,489	\$ 429,117	\$ 394,824
Payroll taxes	30,370	2,336	1,269	33,975	30,498
Employee benefits	23,127	1,038	335	24,500	11,857
Total personnel costs	<u>432,044</u>	<u>35,455</u>	<u>20,093</u>	<u>487,592</u>	<u>437,179</u>
Professional services	34,299	33,183	19,690	87,172	76,668
Travel and meetings	13,252	1,745	167	15,164	12,515
Occupancy	12,046	1,133	417	13,596	11,075
Insurance	6,669	799	269	7,737	6,025
Office supplies	4,758	165	468	5,391	8,853
Telephone	4,302	845	221	5,368	4,487
Dues and subscriptions	3,384	774	171	4,329	3,065
Library	3,953		198	4,151	5,291
Miscellaneous	2,711	887	176	3,774	3,232
Duplicating and printing	1,465	108	1,310	2,883	2,739
Trainings	2,373			2,373	2,920
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>	<u><u>\$ 521,256</u></u>	<u><u>\$ 75,094</u></u>	<u><u>\$ 43,180</u></u>	<u><u>\$ 639,530</u></u>	
<b>TOTAL 2016 FUNCTIONAL EXPENSES</b>	<u><u>\$ 421,567</u></u>	<u><u>\$ 97,016</u></u>	<u><u>\$ 55,466</u></u>		<u><u>\$ 574,049</u></u>

See independent accountants' review report and notes to financial statements.

# CHILD CARE LAW CENTER

## STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (66,060)	\$ 41,858
(Increase) decrease in operating assets:		
Grants and contracts receivable	(8,695)	(9,292)
Other assets	(6,053)	6,995
Increase (decrease) in operating liabilities:		
Accounts payable	(2,144)	2,273
Accrued liabilities	(10,893)	7,324
<b>NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES</b>	<u>(93,845)</u>	<u>49,158</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	(93,845)	49,158
<b>CASH, BEGINNING OF YEAR</b>	<u>289,664</u>	<u>240,506</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 195,819</u></u>	<u><u>\$ 289,664</u></u>

See independent accountants' review report and notes to financial statements.

# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization

The Child Care Law Center is a nonprofit law firm that uses legal expertise to ensure that low-income families can access quality child care and is the only organization in the country devoted exclusively to the complex legal issues that affect child care. We envision a California where child care is a civil right, not a benefit; where equal opportunity begins with equal access to safe and healthy child care; and where parents can support their families without sacrificing their children's well-being.

We conduct trainings for the community, advise attorneys and advocates who represent low-income parents and child care providers, produce legislative analysis for policy makers, and answer child care related questions from parents and child care professionals.

For over thirty years, the Child Care Law Center has been the leaders of innovative child care policy and has engaged in litigation, community education, and advocacy to increase the child care options available to low-income families.

- We saved child care for 55,000 children of low-income working families in California by using a litigation strategy to block the line-item veto of a child care fund in *Parent Voices Oakland v. O'Connell*.
- Administrative advocacy tactics we employed helped win new protocols to ensure that children with disabilities could receive incidental medical services while in child care.
- We ensured the safety of children in child care by drafting a law to teach child care providers how to "Recognize & Report" child abuse and neglect, with the support of child care providers across the state.
- In *Rose v. Eastin*, we forced the California Department of Education to establish regulations to provide child care for families on CalWORKs.
- We brought together more than 40 different early childhood advocates to present an organized and coordinated testimony on how to best use block grant money from the Child Care Development Fund to strengthen the state's child care system.

We cover a wide range of legal and policy issues: government funding for child care, health and safety regulations, child welfare, civil rights, disability rights, housing rights, land use, contracts, and economic development. We are able to accomplish this through the funding of the Legal Services Trust Fund of the California State Bar, private foundations, individual donors, and government contracts.

### 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

continued



# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### **Accounting**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Child Care Law Center are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Temporarily Restricted.** Child Care Law Center reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Child Care Law Center to expend all of the income (or other economic benefits) derived from the donated assets. Child Care Law Center has no permanently restricted net assets at June 30, 2017.

#### **Accounts Receivable**

Accounts receivable are deemed collectible and therefore, no allowance for doubtful accounts has been provided.

#### **Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 2. Summary of Significant Accounting Policies, continued

#### **Donated Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2017, Child Care Law Center did not receive donations of services that satisfy the criteria for recognition.

#### **Income Taxes**

Child Care Law Center is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Child Care Law Center in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Child Care Law Center's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

#### **Functional Allocation of Expenses**

Costs of providing Child Care Law Center's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Child Care Law Center uses full time equivalent ("FTEs") to allocate indirect costs.

#### **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 reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

#### **Subsequent Events**

Management has evaluated subsequent events through August 25, 2017, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

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# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 3. Property and Equipment

Property and equipment at June 30, 2017 consist of the following:

Computers and equipment	\$ 15,457
Less: accumulated depreciation	<u>(15,457)</u>
	<u>\$ -</u>

### 4. Accrued Liabilities

Accrued liabilities at June 30, 2017 consist of the following:

Accrued vacation	\$17,238
Cafeteria health savings plan	<u>4,845</u>
	<u>\$22,083</u>

### 5. Employee Benefit Plan

Child Care Law Center sponsors a 403(b) Thrift Plan for all eligible employees. Child Care Law Center makes a discretionary contribution up to three percent of the employees' annual compensation. Pension plan expense for the year ended June 30, 2017 was \$8,793.

### 6. Commitments and Contingencies

#### Contracts

Child Care Law Center's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Child Care Law Center has no provisions for the possible disallowance of program costs on its financial statements.

### 7. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2017 consist of the following:

Legal Services Trust Fund – Bank Settlement Grant	<u>\$45,152</u>
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For the year ended June 30, 2017, net assets released from purpose restrictions were \$346,869.