

**CHILD CARE LAW CENTER**



**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

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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, 2018, 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 American Institute of Certified Public Accountants. 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 2017 financial statements and in our conclusion dated August 25, 2017, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 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, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.

*Harrington Group*

Oakland, California  
September 24, 2018

# CHILD CARE LAW CENTER

## STATEMENT OF FINANCIAL POSITION

June 30, 2018

With comparative totals at June 30, 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash	\$ 268,786	\$ 195,819
Grants and contracts receivable	6,371	25,304
Other assets	7,463	9,873
Property and equipment (Note 3)	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 282,620</u></b>	<b><u>\$ 230,996</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 13,507	\$ 4,689
Accrued liabilities (Note 4)	<u>29,244</u>	<u>22,083</u>
<b>TOTAL LIABILITIES</b>	<u>42,751</u>	<u>26,772</u>
<b>NET ASSETS</b>		
Unrestricted (Note 2)	143,223	159,072
Temporarily restricted (Note 7)	<u>96,646</u>	<u>45,152</u>
<b>TOTAL NET ASSETS</b>	<u>239,869</u>	<u>204,224</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 282,620</u></b>	<b><u>\$ 230,996</u></b>

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

## CHILD CARE LAW CENTER

### STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	2018	2017
<b>REVENUE AND SUPPORT</b>				
Grants	\$ 69,500	\$ 429,365	\$ 498,865	\$ 415,088
Contracts	75,036		75,036	102,922
Contributions	82,365		82,365	53,368
Other income	2,577		2,577	2,092
Net assets released from purpose restrictions	377,871	(377,871)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	607,349	51,494	658,843	573,470
<b>EXPENSES</b>				
Program services	507,681		507,681	521,256
Management and general	92,908		92,908	75,094
Fundraising	22,609		22,609	43,180
<b>TOTAL EXPENSES</b>	623,198	-	623,198	639,530
<b>CHANGE IN NET ASSETS</b>	(15,849)	51,494	35,645	(66,060)
<b>NET ASSETS, BEGINNING OF YEAR</b>	159,072	45,152	204,224	270,284
<b>NET ASSETS, END OF YEAR</b>	\$ 143,223	\$ 96,646	\$ 239,869	\$ 204,224

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

## CHILD CARE LAW CENTER

### STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				2018	2017
Salaries	\$ 336,322	\$ 38,948	\$ 14,903	\$ 390,173	\$ 429,117
Employee benefits	37,200	5,764	191	43,155	24,500
Payroll taxes	27,142	3,212	1,208	31,562	33,975
Total personnel costs	<u>400,664</u>	<u>47,924</u>	<u>16,302</u>	<u>464,890</u>	<u>487,592</u>
Professional services	46,709	38,595	2,948	88,252	87,378
Travel and meetings	17,553	1,687	546	19,786	15,680
Occupancy	12,044	1,255	521	13,820	13,596
Insurance	5,420	1,049	168	6,637	7,737
Miscellaneous	3,520	1,359	814	5,693	3,052
Office supplies	5,059	78	514	5,651	5,391
Telephone	4,878	162	179	5,219	5,368
Library	3,636	215	118	3,969	4,151
Trainings	3,628	40	6	3,674	2,373
Dues and subscriptions	2,714	232	18	2,964	4,329
Duplicating and printing	1,856	312	475	2,643	2,883
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<b><u>\$ 507,681</u></b>	<b><u>\$ 92,908</u></b>	<b><u>\$ 22,609</u></b>	<b><u>\$ 623,198</u></b>	
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>	<b><u>\$ 521,256</u></b>	<b><u>\$ 75,094</u></b>	<b><u>\$ 43,180</u></b>		<b><u>\$ 639,530</u></b>

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

# CHILD CARE LAW CENTER

## STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 35,645	\$ (66,060)
(Increase) decrease in operating assets:		
Grants and contracts receivable	18,933	(8,695)
Other assets	2,410	(6,053)
Increase (decrease) in operating liabilities:		
Accounts payable	8,818	(2,144)
Accrued liabilities	7,161	(10,893)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>72,967</u>	<u>(93,845)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	72,967	(93,845)
<b>CASH, BEGINNING OF YEAR</b>	<u>195,819</u>	<u>289,664</u>
<b>CASH, END OF YEAR</b>	<u><u>\$ 268,786</u></u>	<u><u>\$ 195,819</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 leader in legal advocacy to secure quality, affordable child care for children and families in California. It is the only organization devoted exclusively to child care law, prioritizing children with disabilities, and those from low-income families and communities of color.

Good, affordable child care creates stability and opens opportunities for children, families, and communities. It allows parents to work, and helps children develop socially and emotionally so they are ready for school. But too many families are forced to choose between working and quality care, and too many child providers face unjust barriers to opening and operating places to care for and educate children.

We educate, advocate, and when necessary, litigate to break down the barriers standing between families in need and good affordable child care.

Examples of our successful advocacy include:

- Child care providers and Child Care Law Center staff have reformed local ordinances in a dozen California towns. Better local laws with lower fees allow child care providers to invest in their programs and child development.
- Children with disabilities can safely receive their medications while they are in child care, and will not be excluded from attending because of health needs.
- Nearly 300,000 low-income children and their families can rely on affordable, state-subsidized child care with minimal paperwork or red tape.
- Families with babies and toddlers will find more licensed child care available to them, because we advocated for expanded funding in the Legislature.

The Child Care Law Center not only impacts individual lives; it improves systems and reduces disparities. Staff attorneys have expertise in health and safety regulations, child welfare, disability rights, housing rights, land use, government benefits, and funding. Program activities include legislative advocacy, community organizing, legal information, limited representation and impact litigation.

The Child Care Law Center receives funding from foundations, donors, and the Legal Services Trust Fund of the California State Bar.

### 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 purpose 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, 2018.

#### **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, 2018, 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 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 September 24, 2018, 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.

# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 3. Property and Equipment

Property and equipment at June 30, 2018 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, 2018 consist of the following:

Accrued vacation	\$25,036
Cafeteria health savings plan	<u>4,208</u>
	<u>\$29,244</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, 2018 was \$8,954.

### 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, 2018 consist of the following:

Legal Services Trust Fund – Bank Settlement Grant	\$53,060
Early Care and Education	26,081
Access to Justice for Individuals and Families	12,105
Equal Access Fund	<u>5,400</u>
	<u>\$96,646</u>

For the year ended June 30, 2018, net assets released from purpose restrictions were \$377,871.