

CHILD CARE LAW CENTER



FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITORS REPORT

To the Board of Directors
Child Care Law Center

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Law Center (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2019, the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Law Center as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2018 financial statements were reviewed by us, and our report thereon, dated September 24, 2018, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Harrington Group

Oakland, California
October 24, 2019

CHILD CARE LAW CENTER

STATEMENT OF FINANCIAL POSITION
June 30, 2019 (Audited)
With comparative totals at June 30, 2018 (Reviewed)

	2019 (Audited)	(As Restated) 2018 (Reviewed)
ASSETS		
Cash	\$ 424,128	\$ 268,786
Grants and contracts receivable	38,325	6,371
Pledge receivable (Note 4)	200,000	75,000
Other assets	9,413	7,463
Property and equipment (Note 5)	-	-
TOTAL ASSETS	\$ 671,866	\$ 357,620
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 5,828	\$ 13,507
Accrued liabilities (Note 6)	21,917	29,244
TOTAL LIABILITIES	27,745	42,751
NET ASSETS		
Without donor restrictions (Note 2)	209,383	143,223
With donor restrictions (Note 9)	434,738	171,646
TOTAL NET ASSETS	644,121	314,869
TOTAL LIABILITIES AND NET ASSETS	\$ 671,866	\$ 357,620

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

CHILD CARE LAW CENTER

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019 (Audited)

With comparative totals for the year ended June 30, 2018 (Reviewed)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 (Audited)</u>	<u>(As Restated) 2018 (Reviewed)</u>
REVENUE AND SUPPORT				
Grants	\$ 35,000	\$ 840,335	\$ 875,335	\$ 573,865
Contributions	98,276		98,276	82,365
Other income	4,467		4,467	2,577
Contracts	2,739		2,739	75,036
Net assets released from restrictions (Note 9)	577,243	(577,243)	-	-
TOTAL REVENUE AND SUPPORT	<u>717,725</u>	<u>263,092</u>	<u>980,817</u>	<u>733,843</u>
EXPENSES				
Program services	527,019		527,019	507,681
Management and general	97,236		97,236	92,908
Fundraising	27,310		27,310	22,609
TOTAL EXPENSES	<u>651,565</u>	<u>-</u>	<u>651,565</u>	<u>623,198</u>
CHANGE IN NET ASSETS	66,160	263,092	329,252	110,645
NET ASSETS, BEGINNING OF YEAR	<u>143,223</u>	<u>171,646</u>	<u>314,869</u>	<u>204,224</u>
NET ASSETS, END OF YEAR	<u>\$ 209,383</u>	<u>\$ 434,738</u>	<u>\$ 644,121</u>	<u>\$ 314,869</u>

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

CHILD CARE LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019 (Audited)

With comparative totals for the year ended June 30, 2018 (Reviewed)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				<u>2019 (Audited)</u>	<u>2018 (Reviewed)</u>
Salaries	\$ 347,632	\$ 47,008	\$ 17,715	\$ 412,355	\$ 390,173
Employee benefits	39,502	3,332	1,265	44,099	43,155
Payroll taxes	25,904	3,323	1,195	30,422	31,562
Total personnel costs	<u>413,038</u>	<u>53,663</u>	<u>20,175</u>	<u>486,876</u>	<u>464,890</u>
Professional services	50,670	32,941	3,339	86,950	88,252
Travel and meetings	17,097	2,202	345	19,644	19,786
Occupancy	12,008	1,464	564	14,036	13,820
Office supplies	10,687	654	390	11,731	5,651
Miscellaneous	3,704	2,286	137	6,127	5,693
Insurance	3,539	2,290	183	6,012	6,637
Telephone	4,696	573	216	5,485	5,219
Trainings	4,205	700		4,905	3,674
Dues and subscriptions	3,302	328	234	3,864	2,964
Library	3,566	60	109	3,735	3,969
Duplicating and printing	507	75	1,618	2,200	2,643
TOTAL 2019 FUNCTIONAL EXPENSES	<u>\$ 527,019</u>	<u>\$ 97,236</u>	<u>\$ 27,310</u>	<u>\$ 651,565</u>	
TOTAL 2018 FUNCTIONAL EXPENSES	<u>\$ 507,681</u>	<u>\$ 92,908</u>	<u>\$ 22,609</u>		<u>\$ 623,198</u>

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

CHILD CARE LAW CENTER

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019 (Audited)

With comparative totals for the year ended June 30, 2018 (Reviewed)

	2019	(As restated)
	(Audited)	2018
	<u> </u>	<u>(Reviewed)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 329,252	\$ 110,645
(Increase) decrease in operating assets:		
Grants and contracts receivable	(31,954)	18,933
Pledge receivable	(125,000)	(75,000)
Other assets	(1,950)	2,410
Increase (decrease) in operating liabilities:		
Accounts payable	(7,679)	8,818
Accrued liabilities	(7,327)	7,161
	<u>155,342</u>	<u>72,967</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>155,342</u>	<u>72,967</u>
NET INCREASE IN CASH	155,342	72,967
CASH, BEGINNING OF YEAR	<u>268,786</u>	<u>195,819</u>
CASH, END OF YEAR	<u>\$ 424,128</u>	<u>\$ 268,786</u>

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

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

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 in the country devoted exclusively to child care law, prioritizing children from families with low incomes, with disabilities, and in 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. National and state policies force too many parents to choose between working and quality child care, and child providers to overcome unjust barriers to opening and operating places to care for and educate children.

The Child Care Law Center educates, advocates, and when necessary, litigates to break down the barriers standing between families in need and good affordable child care. The organization conducts policy advocacy, community education, impact litigation and a legal information and referral service.

Examples of successful advocacy include:

- Child Care Law Center staff reformed the state law to streamline local permitting and strengthen housing protections. The result allows child care providers to open, expand, and care for the children in their communities while parents work.
- More than 300,000 children and their families can rely on affordable, state-subsidized child care, creating quality early learning and family economic stability.
- 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.
- Families with babies and toddlers will find more licensed child care available to them, because we advocated for expanded funding in the Legislature.

Child Care Law Center not only impacts individual lives; it improves systems to create more equity. 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.

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:

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Basis of Presentation

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

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor-) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions. Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Grant and Contracts Receivable

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

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

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

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, 2019, 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.

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. Child Care Law Center's financial statements for year-ended June 30, 2019 are presented in accordance with ASU 2016-14.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Child Care Law Center's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 24, 2019, 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

3. Liquidity and Availability of Resources

Child Care Law Center regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. Child Care Law Center has various sources of liquidity at its disposal, including cash and cash equivalents, and various receivables. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Child Care Law Center considers all expenditures related to its ongoing activities of providing program related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Child Care Law Center strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. The following table reflects Child Care Law Center's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

Cash	\$424,128
Grants and contracts receivable	38,325
Pledge receivable	<u>100,000</u>
Total financial assets at year-end	<u>\$562,453</u>

Financial assets available to meet expenditures over the next 12 months.

Total financial assets	\$562,453
Less: current liabilities	<u>(5,828)</u>
Assets available to meet expenditures in next 12 months	<u>\$556,625</u>

4. Pledge Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at their estimated fair value at June 30, 2019, and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2019. Additionally, discount on pledge receivable is deemed to be immaterial, accordingly no discount on pledge has been recorded as of June 30, 2019.

Pledge receivable at June 30, 2019 is expected to be collected as follows:

Within one year	\$100,000
One to five years	<u>100,000</u>
	<u>\$200,000</u>

5. Property and Equipment

Property and equipment at June 30, 2019 consist of the following:

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

continued

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

6. Accrued Liabilities

Accrued liabilities at June 30, 2019 consist of the following:

Accrued vacation	\$14,954
Cafeteria health savings plan	<u>6,963</u>
	<u>\$21,917</u>

7. 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, 2019 was \$10,083.

8. 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.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 consist of the following:

Time restriction	\$200,000
Legal Services Trust Fund – Bank Settlement Grant	94,422
Early Care and Education Policy Advocacy	63,099
Stein Early Childhood Development Fund	55,164
Legal Services Trust Fund – Equal Access Fund	11,478
Access to Justice for Individuals and Families	9,990
Equal Justice	<u>585</u>
	<u>\$434,738</u>

For the year ended June 30, 2019, net assets released from purpose restrictions were \$577,243.

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

10. Restatement of Net Assets

Net assets at July 1, 2018, have been restated to correct the improper recognition of pledge receivable and revenue in prior year. The comparative totals for June 30, 2018 presented in these financial statements have been restated to reflect the corrected balances as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>Statement of Financial Position</u>			
Pledge receivable	\$ -	\$75,000	\$ 75,000
Total assets	\$282,620	\$75,000	\$357,620
With donor restrictions	\$ 96,646	\$75,000	\$171,646
Total net assets	\$239,869	\$75,000	\$314,869
Total liabilities and net assets	\$282,620	\$75,000	\$357,620
<u>Statement of Activities</u>			
Grants	\$498,865	\$75,000	\$573,865
Total revenue and support	\$658,843	\$75,000	\$733,843
Change in net assets	\$ 35,645	\$75,000	\$110,645
Net assets, end of year	\$239,869	\$75,000	\$314,869
<u>Statement of Cash Flows</u>			
Change in net assets	\$ 35,645	\$75,000	\$110,645
(Increase) in pledge receivable	\$ -	\$(75,000)	\$(75,000)