



**CHILD CARE LAW CENTER**



**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

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**INDEPENDENT AUDITORS REPORT**

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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, 2020, 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, 2020, 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.

**Other Matter**

*Report on Summarized Comparative Information*

We have previously audited Child Care Law Center's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Harrington Group*

Oakland, California  
October 14, 2020

# CHILD CARE LAW CENTER

## STATEMENT OF FINANCIAL POSITION

June 30, 2020

With comparative totals at June 30, 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 828,807	\$ 424,128
Grants and contracts receivable	32,150	38,325
Pledge receivable	-	200,000
Other assets	16,092	9,413
Property and equipment (Note 4)	-	-
	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 877,049</u>	<u>\$ 671,866</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 8,660	\$ 5,828
Accrued liabilities (Note 5)	18,005	21,917
Paycheck protection program loan (Note 6)	102,600	-
	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>129,265</u>	<u>27,745</u>
<b>NET ASSETS</b>		
Without donor restrictions (Note 2)	301,519	209,383
With donor restrictions (Note 9)	446,265	434,738
	<u>          </u>	<u>          </u>
<b>TOTAL NET ASSETS</b>	<u>747,784</u>	<u>644,121</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 877,049</u>	<u>\$ 671,866</u>

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

## CHILD CARE LAW CENTER

### STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
<b>REVENUE AND SUPPORT</b>				
Grants	\$ 65,000	\$ 896,981	\$ 961,981	\$ 875,335
Contributions	98,802		98,802	98,276
Other income	8,995		8,995	4,467
Contracts	2,625		2,625	2,739
Net assets released from time restrictions (Note 9)	200,000	(200,000)	-	
Net assets released from purpose restrictions (Note 9)	685,454	(685,454)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	1,060,876	11,527	1,072,403	980,817
<b>EXPENSES</b>				
Program services	794,123		794,123	527,019
Management and general	130,289		130,289	97,236
Fundraising	44,328		44,328	27,310
<b>TOTAL EXPENSES</b>	968,740	-	968,740	651,565
<b>CHANGE IN NET ASSETS</b>	92,136	11,527	103,663	329,252
<b>NET ASSETS, BEGINNING OF YEAR</b>	209,383	434,738	644,121	314,869
<b>NET ASSETS, END OF YEAR</b>	\$ 301,519	\$ 446,265	\$ 747,784	\$ 644,121

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, 2020

With comparative totals for the year ended June 30, 2019

	Program Services			Total Program Services	Management and General	Fundraising	Total Expenses	
	Advocacy	Technical Assistance	Workshop				2020	2019
Salaries	\$ 356,032	\$ 182,373	\$ 11,602	\$ 550,007	\$ 43,290	\$ 23,394	\$ 616,691	\$ 412,355
Payroll taxes	32,179	15,535	1,154	48,868	3,311	1,876	54,055	30,422
Employee benefits	27,520	17,424	1,023	45,967	3,748	1,438	51,153	44,099
Total personnel costs	415,731	215,332	13,779	644,842	50,349	26,708	721,899	486,876
Professional services	56,588	19,376	121	76,085	52,051	9,510	137,646	86,950
Occupancy	16,172	6,312	495	22,979	12,699	1,286	36,964	14,036
Miscellaneous	10,116	2,568	238	12,922	7,118	3,472	23,512	6,127
Travel and meetings	8,353	2,358	2,358	13,069	1,828	166	15,063	19,644
Telephone	3,802	1,608	59	5,469	1,340	213	7,022	5,485
Insurance	3,310	1,290	70	4,670	1,194	155	6,019	6,012
Library	3,224	1,033	4	4,261	99	1,244	5,604	3,735
Office supplies	1,773	941		2,714	2,226	534	5,474	11,731
Duplicating and printing	2,083	351	353	2,787	202	995	3,984	2,200
Dues and subscriptions	2,351			2,351	929		3,280	3,864
Trainings	1,487	414	73	1,974	254	45	2,273	4,905
<b>TOTAL 2020 FUNCTIONAL EXPENSES</b>	<b>\$ 524,990</b>	<b>\$ 251,583</b>	<b>\$ 17,550</b>	<b>\$ 794,123</b>	<b>\$ 130,289</b>	<b>\$ 44,328</b>	<b>\$ 968,740</b>	
TOTAL 2019 FUNCTIONAL EXPENSES				<u>\$ 527,019</u>	<u>\$ 97,236</u>	<u>\$ 27,310</u>		<u>\$ 651,565</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, 2020

With comparative totals for the year ended June 30, 2019

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 103,663	\$ 329,252
(Increase) decrease in operating assets:		
Grants and contracts receivable	6,175	(31,954)
Pledges receivable	200,000	(125,000)
Other assets	(6,679)	(1,950)
Increase (decrease) in operating liabilities:		
Accounts payable	2,832	(7,679)
Accrued liabilities	(3,912)	(7,327)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>302,079</u>	<u>155,342</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from paycheck protection program loan	<u>102,600</u>	<u>-</u>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<u>102,600</u>	<u>-</u>
<b>NET INCREASE IN CASH</b>	404,679	155,342
<b>CASH, BEGINNING OF YEAR</b>	<u>424,128</u>	<u>268,786</u>
<b>CASH, END OF YEAR</b>	<u>\$ 828,807</u>	<u>\$ 424,128</u>

The accompanying notes are an integral part of these 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 win affordable, enriching child care for families in California. It is the only organization in the country devoted exclusively to child care law, prioritizing families of color, with low incomes, children disabilities, and others who historically face barriers to economic and educational opportunity.

Good, affordable child care throughout our communities creates stability and opens opportunities for children, families, and our nation. It allows parents to work, and helps children develop socially and emotionally. National and state policies force too many parents to choose between work and caring for their children, and force child care providers to work for sub-minimum wages.

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 accomplishments include:

- Timely updates and interpretation of policies, laws, and benefits to mitigate the effects of the coronavirus pandemic and the national reckoning with racial injustice.
- 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.

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

The Legal Services Trust Fund of the California State Bar, foundations, and individual donors financially support the Child Care Law Center.



# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 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:

#### **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:

**Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

**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

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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, 2020, 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.

#### **Revenue and Revenue Recognition**

Child Care Law Center recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. As of June 30, 2020, Child Care Law Center did not have any contributions categorized as conditional.

# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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

#### 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.

#### Recently Adopted Accounting Pronouncement

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes, or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expanded disclosures about revenue. Child Care Law Center has implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on the net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. Child Care Law Center has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

#### 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 State of America. Accordingly, such information should be read in conjunction with Child Care Law Center's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

### 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.

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# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 3. Liquidity and Availability of Resources, continued

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, 2020, reduced by amounts that are not available to meet general expenditures within one year of the balance sheet date.

Cash	\$828,807
Grants and contracts receivable	<u>32,150</u>
Total financial assets at year-end	<u>\$860,957</u>

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

Total financial assets	\$860,957
Less: current liabilities	<u>(8,660)</u>
Assets available to meet expenditures in next 12 months	<u>\$852,297</u>

### 4. Property and Equipment

Property and equipment at June 30, 2020 consist of the following:

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

### 5. Accrued Liabilities

Accrued liabilities at June 30, 2020 consist of the following:

Accrued vacation	\$15,352
Cafeteria health savings plan	<u>2,653</u>
	<u>\$18,005</u>

### 6. Paycheck Protection Program Loan

In May 2020, Child Care Law Center received loan proceeds in the amount of \$102,600 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

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# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 6. Paycheck Protection Program Loan, continued

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Child Care Law Center intends to use the proceeds for purposes consistent with the PPP. Child Care Law Center currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

### 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, 2020 was \$10,716.

### 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, 2020 consist of the following:

Legal Services Trust Fund – Equal Access Fund	\$114,983
Legal Services Trust Fund – Bank Settlement Grant	100,335
Early Care and Education Policy Advocacy	74,746
Access to Justice for Individuals and Families	43,232
Stein Early Childhood Development Fund	40,306
Trio Foundation	37,208
Walter S. Johnson Foundation	29,530
Heising-Simons Foundation Responsive Fund For Grantee Communications	<u>5,925</u>
	<u>\$446,265</u>

For the year ended June 30, 2020, net assets released from time and purpose restrictions were \$200,000 and \$685,454, respectively.

continued

# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 10. Subsequent Events

#### Impact of COVID-19 Virus

Following the Los Angeles County, and State “Safer at Home” order to close all non-essential business activities, Child Care Law Center have been conducting business as usual under Safer at Home protocols. The overall impact of the COVID-19 virus on Child Care Law Center cannot be foreseen at this time and is not reflected in these financial statements.

Management has evaluated subsequent events through October 14, 2020, the date which the financial statements were available for issue. Except as noted above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.