

**CHILD CARE LAW CENTER**



**FINANCIAL STATEMENTS**

**DECEMBER 31, 2022**

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## INDEPENDENT AUDITORS' REPORT

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To the Board of Directors  
Child Care Law Center

### Opinion

We have audited the accompanying financial statements of Child Care Law Center (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2022, and the related Statements of Activities, Functional Expenses, and Cash Flows for the six-months period 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 Child Care Law Center as of December 31, 2022, and the changes in its net assets and its cash flows for the six-months period 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Child Care Law Center 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 Child Care Law Center'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 auditors' 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.

## INDEPENDENT AUDITORS' REPORT

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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 Child Care Law Center'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 Child Care Law Center'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.

### **Other Matter**

#### *Report on Summarized Comparative Information*

We have previously audited Child Care Law Center's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Harrington Group*

Oakland, California

July 7, 2023

# CHILD CARE LAW CENTER

## STATEMENT OF FINANCIAL POSITION

December 31, 2022

With comparative totals at June 30, 2022

	<u>December 31,</u> <u>2022</u>	<u>June 30,</u> <u>2022</u>
<b>ASSETS</b>		
Cash	\$ 1,673,334	\$ 1,663,768
Grants and contracts receivable	22,539	15,698
Other assets	14,925	16,430
Property and equipment (Note 4)	-	-
<b>TOTAL ASSETS</b>	<u>\$ 1,710,798</u>	<u>\$ 1,695,896</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 17,210	\$ 20,107
Accrued liabilities (Note 5)	38,214	50,379
<b>TOTAL LIABILITIES</b>	<u>55,424</u>	<u>70,486</u>
<b>NET ASSETS</b>		
Without donor restrictions (Note 2)	1,023,818	948,079
With donor restrictions (Note 8)	631,556	677,331
<b>TOTAL NET ASSETS</b>	<u>1,655,374</u>	<u>1,625,410</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,710,798</u>	<u>\$ 1,695,896</u>

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

## CHILD CARE LAW CENTER

### STATEMENT OF ACTIVITIES

For the six-months period ended December 31, 2022  
With comparative totals for the year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Six-Months Ended December 31, 2022	Year Ended June 30, 2022
<b>REVENUE AND SUPPORT</b>				
Grants	\$ 134,650	\$ 519,211	\$ 653,861	\$ 1,628,926
Contributions	69,914		69,914	115,587
Contracts	26,024		26,024	97,413
Other income	25,718		25,718	24,067
Net assets released from purpose restrictions (Note 8)	564,986	(564,986)	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	821,292	(45,775)	775,517	1,865,993
<b>EXPENSES</b>				
Program services	499,639		499,639	1,030,096
Management and general	153,569		153,569	238,009
Fundraising	92,345		92,345	93,584
<b>TOTAL EXPENSES</b>	745,553	-	745,553	1,361,689
<b>CHANGE IN NET ASSETS</b>	75,739	(45,775)	29,964	504,304
<b>NET ASSETS, BEGINNING OF YEAR</b>	948,079	677,331	1,625,410	1,121,106
<b>NET ASSETS, END OF YEAR</b>	\$ 1,023,818	\$ 631,556	\$ 1,655,374	\$ 1,625,410

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

**CHILD CARE LAW CENTER**

STATEMENT OF FUNCTIONAL EXPENSES  
For the six-months period ended December 31, 2022  
With comparative totals for the year ended June 30, 2022

	Program Services				Total Program Services	Management and General	Fundraising	Total Expenses	
	Advocacy	Technical Assistance	Lobbying	Non-qualified and Training				Six-Months Ended December 31, 2022	Year Ended June 30, 2022
Salaries	\$ 137,042	\$ 131,273	\$ 12,146	\$ 6,691	\$ 287,152	\$ 86,453	\$ 18,617	\$ 392,222	\$ 806,193
Payroll taxes	7,934	10,514	898	514	19,860	7,525	2,585	29,970	60,719
Employee benefits	9,148	6,488	1,735	268	17,639	4,148	2,406	24,193	92,459
Total personnel costs	154,124	148,275	14,779	7,473	324,651	98,126	23,608	446,385	959,371
Professional services	120,223	33,356	1,513	1,455	156,547	44,595	60,950	262,092	322,930
Office expense	3,155	1,586	358	91	5,190	2,756	1,688	9,634	-
Miscellaneous	964	1,260	95	70	2,389	4,838	393	7,620	13,896
Travel and training	3,510	926	123	79	4,638	841	589	6,068	6,671
Meetings and outreach	823	21	7	1	852	27	4,330	5,209	-
Insurance	974	1,365	165	78	2,582	1,209	416	4,207	8,148
Dues and subscriptions	1,527	323	142	33	2,025	196	322	2,543	8,894
Equipment rent and maintenance	530	167	64	4	765	236	49	1,050	-
Occupancy					-	745		745	392
Office supplies					-			-	14,489
Telephone					-			-	13,270
Library					-			-	9,638
Duplicating and printing					-			-	2,214
Trainings					-			-	1,776
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 285,830</b>	<b>\$ 187,279</b>	<b>\$ 17,246</b>	<b>\$ 9,284</b>	<b>\$ 499,639</b>	<b>\$ 153,569</b>	<b>\$ 92,345</b>	<b>\$ 745,553</b>	
TOTAL FUNCTIONAL EXPENSES	\$ 793,131	\$ 214,498	\$ -	\$ 22,467	\$ 1,030,096	\$ 238,009	\$ 93,584		\$ 1,361,689

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

## CHILD CARE LAW CENTER

### STATEMENT OF CASH FLOWS

For the six-months period ended December 31, 2022  
With comparative totals for the year ended June 30, 2022

	Six-Months Ended December 31, 2022	Year Ended June 30, 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 29,964	\$ 504,304
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets:		
Grants and contracts receivable	(6,841)	405,109
Other assets	1,505	4,464
Increase (decrease) in operating liabilities:		
Accounts payable	(2,897)	(5,803)
Accrued liabilities	(12,165)	3,594
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>9,566</b>	<b>911,668</b>
<b>NET INCREASE IN CASH</b>	<b>9,566</b>	<b>911,668</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>1,663,768</b>	<b>752,100</b>
<b>CASH, END OF YEAR</b>	<b>\$ 1,673,334</b>	<b>\$ 1,663,768</b>

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 educates, advocates, and litigates to make child care a civil right.

It is the only organization in the country dedicated to child care law. For more than forty years, it has worked to make child care more just and inclusive for families of color, families with low incomes, children with disabilities, and others who our legal system has historically and systemically locked out of economic and educational opportunities.

With its innovative problem-solving, the Child Care Law Center addresses the systemic injustices embedded in our legal system and child care policy to make our laws work for Black and Brown families. It has created solutions like increasing the availability of child care through zoning policy and helping families economically through subsidy eligibility rules.

Staff attorneys have expertise in child care policy, state and federal funding, health & safety regulations, child welfare, disability rights, housing rights, land use, and government benefits. They engage in policy and administrative advocacy, community legal education, limited representation, and impact litigation.

- Child Care Law Center fights for inclusive child care funding in California. Over the past decade, their budget advocacy has helped increase the number of dollars dedicated to child care and the number of children who can have it. The number of children with affordable child care has grown from 143,000 in 2012 to 387,000 in 2022.
- Child Care Law Center advocates for child care reforms with its legal expertise and relationships in the community. Child Care Law Center solutions help child care providers run their businesses with less red tape. For example, 450 child care providers could expand their licenses last year, creating 3,600 more spaces for children.
- Child Care Law Center passed legislation to update the California Child Daycare Facilities Act, streamline local permitting and strengthen housing protections so family child care providers can offer care to their communities.
- Child Care Law Center advocates for child care reforms to undo a legacy of racist policy. Child Care Law Center obtained a waiver of child care fees for families with low incomes for a third year so they can afford necessities like food and rent.
- Child Care Law Center's advocacy ensures children with disabilities can safely receive their medications while in child care, and programs will not exclude them from attending because of health needs.
- Child Care Law Center provides legal analysis and community education to achieve an equitable allocation of state and federal relief funding. Child Care Law Center work ensures the dollars reach those who need it most.
- With its technical assistance to California legal aid programs, Child Care Law Center ensures their clients receive the child care benefits to which they are entitled.

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# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 1. **Organization**, continued

- Child Care Law Center protects family child care providers' rental housing by enforcing fair housing laws with the California civil rights commission and other government agencies.
- Child Care Law Center monitors city and county compliance with State law regarding uniform fire safety permitting and zoning regulations. As a result, more child care providers save money and can keep their businesses open.

### 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.

continued

# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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

#### **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.

#### **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 six-months period ended December 31, 2022, 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 six-months period, 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 December 31, 2022, 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.

#### 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, 2022, from which the summarized information was derived.

#### Subsequent Events

Management has evaluated subsequent events through July 7, 2023, 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.

### 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 December 31, 2022, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash	\$1,673,334
Grants and contracts receivable	<u>22,539</u>
Total financial assets at year-end	<u>\$1,695,873</u>

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

Total financial assets	\$1,695,873
Less: net assets with donor restrictions	<u>(631,556)</u>
Assets available to meet expenditures in next 12 months	<u>\$1,064,317</u>

continued

# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 4. Property and Equipment

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

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

### 5. Accrued Liabilities

Accrued liabilities at December 31, 2022 consist of the following:

Accrued vacation	\$30,772
Cafeteria health savings plan	<u>7,442</u>
	<u>\$38,214</u>

### 6. 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 six-months period ended December 31, 2022 was \$9,813.

### 7. 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.

# CHILD CARE LAW CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 8. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2022 consist of the following:

New Ventures Fund	\$192,069
San Francisco Foundation	166,527
Legal Services Trust Fund – Equal Access Fund	123,526
Others	86,804
Legal Services Trust Fund – Homelessness Prevention	<u>62,630</u>
	<u>\$631,556</u>

For the six-months period ended December 31, 2022, net assets released from purpose restrictions were \$564,986.