



HARRINGTON GROUP

CERTIFIED PUBLIC ACCOUNTANTS, LLP

CHILD CARE LAW CENTER



FINANCIAL STATEMENTS

DECEMBER 31, 2023

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INDEPENDENT AUDITORS' REPORT

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, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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, 2023, and the changes in net assets and its cash flows for the year 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 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

continued

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 July 7, 2023. In our opinion, the summarized comparative information presented herein as of and for the six-months period ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Harrington Group

Oakland, California

April 29, 2024

CHILD CARE LAW CENTER

STATEMENT OF FINANCIAL POSITION

December 31, 2023

With comparative totals at December 31, 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 1,640,329	\$ 1,673,334
Grants and contracts receivable	600,000	22,539
Other assets	23,077	14,925
Property and equipment (Note 4)	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 2,263,406</u></u>	<u><u>\$ 1,710,798</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 9,933	\$ 17,210
Accrued liabilities (Note 5)	<u>47,033</u>	<u>38,214</u>
TOTAL LIABILITIES	<u>56,966</u>	<u>55,424</u>
NET ASSETS		
Without donor restrictions (Note 2)	1,406,698	1,023,818
With donor restrictions (Note 8)	<u>799,742</u>	<u>631,556</u>
TOTAL NET ASSETS	<u>2,206,440</u>	<u>1,655,374</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,263,406</u></u>	<u><u>\$ 1,710,798</u></u>

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

CHILD CARE LAW CENTER

STATEMENT OF ACTIVITIES

For the year ended December 31, 2023

With comparative totals for the six-months period ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Year Ended December 31, 2023	Six-Months Ended December 31, 2022
REVENUE AND SUPPORT				
Grants	\$ 1,385,736	\$ 892,561	\$ 2,278,297	\$ 653,861
Contributions	194,657		194,657	69,914
Other income	41,666		41,666	25,718
Contracts	550		550	26,024
Net assets released from purpose restrictions (Note 8)	724,375	(724,375)	-	-
TOTAL REVENUE AND SUPPORT	2,346,984	168,186	2,515,170	775,517
EXPENSES				
Program services	1,492,682		1,492,682	499,639
Management and general	347,596		347,596	153,569
Fundraising	123,826		123,826	92,345
TOTAL EXPENSES	1,964,104	-	1,964,104	745,553
CHANGE IN NET ASSETS	382,880	168,186	551,066	29,964
NET ASSETS, BEGINNING OF YEAR	1,023,818	631,556	1,655,374	1,625,410
NET ASSETS, END OF YEAR	\$ 1,406,698	\$ 799,742	\$ 2,206,440	\$ 1,655,374

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

CHILD CARE LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

With comparative totals for the six-months period ended December 31, 2022

	Program Services				Total Program Services	Management and General	Fundraising	Total Expenses Year Ended December 31, 2023	Six-Months Ended December 31, 2022
	Advocacy	Technical Assistance	Lobbying	Non-qualified and Training					
Salaries	\$ 559,669	\$ 131,251	\$ 31,271	\$ 18,190	\$ 740,381	\$ 210,847	\$ 32,511	\$ 983,739	\$ 392,222
Payroll taxes	42,942	6,444	2,571	1,434	53,391	13,360	8,258	75,009	29,970
Employee benefits	50,950	9,368	2,597	1,490	64,405	14,204	3,356	81,965	24,193
Total personnel costs	653,561	147,063	36,439	21,114	858,177	238,411	44,125	1,140,713	446,385
Professional services	474,717	13,341	10,246	77,038	575,342	49,762	63,976	689,080	262,092
Miscellaneous	12,251	2,722	441	171	15,585	18,221	4,540	38,346	7,620
Occupancy	12,243		875	21	13,139	20,062	714	33,915	745
Travel and training	7,675	906	671	1,859	11,111	8,470	1,414	20,995	6,068
Office expense	9,365	698	613	284	10,960	6,405	2,235	19,600	9,634
Meetings and outreach	1,545				1,545	1,049	6,119	8,713	5,209
Dues and subscriptions	2,310	138	423	55	2,926	3,507	55	6,488	2,543
Insurance	3,357	343	184	13	3,897	1,529	648	6,074	4,207
Equipment rent and maintenance					-	180		180	1,050
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 1,177,024	\$ 165,211	\$ 49,892	\$ 100,555	\$ 1,492,682	\$ 347,596	\$ 123,826	\$ 1,964,104	
TOTAL 2022 FUNCTIONAL EXPENSES	\$ 285,830	\$ 187,279	\$ 17,246	\$ 9,284	\$ 499,639	\$ 153,569	\$ 92,345		\$ 745,553

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

CHILD CARE LAW CENTER

STATEMENT OF CASH FLOWS

For the year ended December 31, 2023

With comparative totals for the six-months period ended December 31, 2022

	Year Ended December 31, 2023	Six-Months Ended December 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 551,066	\$ 29,964
Adjustment to reconcile change in net assets to net cash (used) provided by operating activities:		
(Increase) decrease in operating assets:		
Grants and contracts receivable	(577,461)	(6,841)
Other assets	(8,152)	1,505
Increase (decrease) in operating liabilities:		
Accounts payable	(7,277)	(2,897)
Accrued liabilities	8,819	(12,165)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(33,005)	9,566
NET (DECREASE) INCREASE IN CASH	(33,005)	9,566
CASH, BEGINNING OF YEAR	1,673,334	1,663,768
CASH, END OF YEAR	\$ 1,640,329	\$ 1,673,334

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

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

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 five 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, Child Care Law Center addresses the systemic injustices embedded in our legal system and child care policy. It has created solutions like increasing the availability of child care through zoning policy and helping families gain economic success through subsidy eligibility rules.

Staff attorneys have expertise in child care policy, state and federal funding, health and 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 advocacy has helped increase the number of dollars dedicated to child care and the number of children who can have it. About 700,000 children are in publicly-funded child care or preschool in 2023- double the number enrolled in 2012.
- Child Care Law Center helped pass legislation to do away with burdensome child care co-payments, so families with low incomes can afford basic necessities like food and rent.
- Child Care Law Center 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.
- With their technical assistance to California legal aid programs, Child Care Law Center ensure their clients receive the child care benefits to which they are entitled.
- Child Care Law Center protect family child care providers' rental housing and their income by educating community members about their legal rights and enforcing fair housing laws with government agencies.
- Child Care Law Center support family child care providers by monitoring cities' compliance with state law regarding licenses, permits and zoning regulations. 1,905 child care providers have expanded their licenses since 2020 because of laws we changed.
- Child Care Law Center strengthen the capacity of child care providers and families to advocate for themselves with their plain language, multi-lingual workshops and publications.

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

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.

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

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 year ended December 31, 2023, 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 ended, 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, 2023, Child Care Law Center did not have any contributions categorized as conditional.

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

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 six-months ended December 31, 2022, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through April 29, 2024, 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, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash	\$1,640,329
Grants and contracts receivable	<u>600,000</u>
Total financial assets at year-end	<u>\$2,240,329</u>

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

Total financial assets	\$2,240,329
Less: net assets with donor restrictions	<u>(799,742)</u>
Assets available to meet expenditures in next 12 months	<u>\$1,440,587</u>

continued

CHILD CARE LAW CENTER

NOTES TO FINANCIAL STATEMENTS

4. Property and Equipment

Property and equipment at December 31, 2023 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, 2023 consist of the following:

Accrued vacation	\$39,358
Cafeteria health savings plan	<u>7,675</u>
	<u>\$47,033</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 year ended December 31, 2023 was \$20,601.

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

8. Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31, 2023 consist of the following:

Time restriction	\$600,000
New Venture Fund	101,083
San Francisco Foundation	68,171
Others	18,513
Legal Services Trust Fund – Equal Access Fund	<u>11,975</u>
	<u>\$799,742</u>

For the year ended December 31, 2023, net assets released from purpose restrictions were \$724,375.