

**THE CHILDREN'S LAW CENTER, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30,**  
**2006 AND 2005**

MURRAY, JONSON, WHITE & ASSOCIATES, LTD., P.C.  
Certified Public Accountants  
Falls Church, Virginia

**THE CHILDREN'S LAW CENTER, INC.**

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## INDEPENDENT AUDITORS' REPORT

**To the Board of Directors  
The Children's Law Center, Inc.**

We have audited the accompanying statements of financial position of The Children's Law Center, Inc. as of September 30, 2006 and 2005, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Law Center, Inc. as of September 30, 2006 and 2005, and the changes in its net assets and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

*Murray, Jonson, White & Associates, Ltd., P.C.*

**Certified Public Accountants**

December 11, 2006

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**THE CHILDREN'S LAW CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30,**

<b>ASSETS</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 465,126	\$ 1,008,967
Investments - Note 4	1,117,685	-
Accounts receivable	524,711	192,222
Annual event receivable - Note 2	48,734	41,000
Contributions receivable - Note 2	68,800	55,692
Prepaid expenses	54,805	62,360
Other current assets	<u>5,459</u>	<u>-</u>
TOTAL CURRENT ASSETS	2,285,320	1,360,241
PROPERTY AND EQUIPMENT - NET - Note 3	<u>71,822</u>	<u>90,249</u>
TOTAL ASSETS	\$ <u>2,357,142</u>	\$ <u>1,450,490</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ <u>69,002</u>	\$ <u>37,839</u>
<b>NET ASSETS</b>		
Unrestricted	2,179,755	1,198,806
Temporarily restricted - Note 5	<u>108,385</u>	<u>213,845</u>
TOTAL NET ASSETS	<u>2,288,140</u>	<u>1,412,651</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>2,357,142</u>	\$ <u>1,450,490</u>

The accompanying notes to financial statements are an integral part of this financial statement.

**THE CHILDREN'S LAW CENTER, INC.**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended September 30, 2006 and 2005**

**THE CHILDREN'S LAW CENTER, INC.**

**STATEMENTS OF ACTIVITIES  
For the Years Ended September 30,**

	<b>2006</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
D.C. court contract - Note 7	\$ 3,124,265	\$ -	\$ 3,124,265
Contributions	354,364	76,894	431,258
Donated goods and services - Note 6	248,630	-	248,630
Grants	88,000	408,576	496,576
Legal fees	4,000	-	4,000
Training fees	2,000	-	2,000
Investment Income - Note 4	44,945	-	44,945
Miscellaneous	-	-	-
Net assets released from restrictions			
Satisfaction of restrictions	<u>590,930</u>	<u>(590,930)</u>	<u>-</u>
<b>TOTAL REVENUE AND SUPPORT</b>	<u>4,457,134</u>	<u>(105,460)</u>	<u>4,351,674</u>
<b>EXPENSES</b>			
Legal programs			
Guardian Ad Litem	2,331,752	-	2,331,752
Family Permanency	285,082	-	285,082
Child Witnesses to Domestic Violence	13,184	-	13,184
Health Access	351,138	-	351,138
Systemic Advocacy	-	-	-
<b>TOTAL LEGAL PROGRAMS</b>	<u>2,981,156</u>	<u>-</u>	<u>2,981,156</u>
General and administrative	198,823	-	198,823
Fundraising	<u>296,206</u>	<u>-</u>	<u>296,206</u>
<b>TOTAL EXPENSES</b>	<u>3,476,185</u>	<u>-</u>	<u>3,476,185</u>
<b>CHANGE IN NET ASSETS</b>	<u>980,949</u>	<u>(105,460)</u>	<u>875,489</u>
Net assets at beginning of year - Note 5	<u>1,198,806</u>	<u>213,845</u>	<u>1,412,651</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 2,179,755</u>	<u>\$ 108,385</u>	<u>\$ 2,288,140</u>

The accompanying notes to financial statements are an integral part of this financial statement.

<b>2005</b>		
<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
\$ 2,210,664	\$ -	\$ 2,210,664
285,129	59,085	344,214
192,494	-	192,494
3,500	412,625	416,125
16,010	-	16,010
560	-	560
9,154	-	9,154
1,555	-	1,555
<u>476,260</u>	<u>(476,260)</u>	<u>-</u>
<u>3,195,326</u>	<u>(4,550)</u>	<u>3,190,776</u>
1,892,292	-	1,892,292
223,486	-	223,486
4,528	-	4,528
219,462	-	219,462
<u>13,226</u>	<u>-</u>	<u>13,226</u>
2,352,994	-	2,352,994
148,911	-	148,911
<u>217,911</u>	<u>-</u>	<u>217,911</u>
<u>2,719,816</u>	<u>-</u>	<u>2,719,816</u>
<u>475,510</u>	<u>(4,550)</u>	<u>470,960</u>
<u>723,296</u>	<u>218,395</u>	<u>941,691</u>
\$ <u>1,198,806</u>	\$ <u>213,845</u>	\$ <u>1,412,651</u>

**THE CHILDREN'S LAW CENTER, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended September 30, 2006 and 2005**

**THE CHILDREN'S LAW CENTER, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended September 30, 2006**

	<b>Programs</b>		
	<b>Guardian Ad Litem</b>	<b>Family Perma- nency</b>	<b>Child Witnesses to Domestic Violence</b>
Donated Goods and Services	\$ 54,047	\$ 3,880	\$ 647
Donated Salary	-	97,465	-
Compensation	1,715,367	160,794	10,987
Event Expenses	-	-	-
Board Development Expenses	-	-	-
Communications	23,437	2,336	233
Computer and Telephone Expenses	26,263	3,213	141
Client Costs	8,748	745	-
Cost of Litigation	980	104	-
Database Services	2,441	-	-
Depreciation Expense	36,496	3,941	234
Amortization Expense	7,921	973	337
Direct Mail Expenses	-	-	-
Insurance	14,189	1,728	103
Legal Library	12,780	2,116	116
Membership Dues	4,249	376	9
Meetings	629	45	-
Moving Expense	431	53	3
Office Supplies	13,566	1,059	137
Postage	6,106	752	44
Printing and Design	1,741	115	3
Professional Development	9,022	845	15
Professional Fees	9,207	1,112	66
Recruiting	1,279	469	-
Office Rent	291,605	-	-
Staff Costs	6,070	301	9
Transportation	84,978	2,635	100
Volunteer Appreciation	200	25	-
Uncollected Receivables	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ <u>2,331,752</u></b>	<b>\$ <u>285,082</u></b>	<b>\$ <u>13,184</u></b>

The accompanying notes to financial statements are an integral part of this financial statement.

<u>Programs</u>	<u>Support</u>		
<u>Health Access</u>	<u>General and Adminis- trative</u>	<u>Fund- raising</u>	<u>Total Expenses</u>
\$ 6,468	\$ 59,335	\$ 26,788	\$ 151,165
-	-	-	97,465
300,252	120,639	168,802	2,476,841
-	-	58,974	58,974
-	-	9,600	9,600
4,027	1,188	1,334	32,555
3,794	2,312	1,973	37,696
1,919	-	-	11,412
6,765	-	-	7,849
-	-	-	2,441
4,723	2,008	2,376	49,778
837	496	586	11,150
-	-	8,620	8,620
1,984	880	1,042	19,926
3,396	169	1,270	19,847
1,153	579	190	6,556
2,771	442	117	4,004
61	27	32	607
2,110	1,352	1,083	19,307
1,537	714	1,987	11,140
384	223	338	2,804
2,795	139	61	12,877
1,277	7,019	1,109	19,790
50	150	1,057	3,005
-	-	-	291,605
250	700	92	7,422
4,560	428	215	92,916
25	23	-	273
-	-	8,560	8,560
\$ <u>351,138</u>	\$ <u>198,823</u>	\$ <u>296,206</u>	\$ <u>3,476,185</u>

THE CHILDREN'S LAW CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2005

	<b>Programs</b>		
	<b>Guardian Ad Litem</b>	<b>Family Perma- nency</b>	<b>Child Witnesses to Domestic Violence</b>
Donated Goods and Services	\$ 56,142	\$ 4,238	\$ 575
Donated Salary	14,725	78,510	-
Compensation	1,138,989	123,302	3,441
Event Expenses	-	-	-
Communications	18,685	1,658	41
Computer and Telephone Expenses	22,622	998	37
Client Costs	10,764	1,094	3
Cost of Litigation	415	322	-
Depreciation Expense	31,175	4,176	52
Amortization Expense	7,884	1,056	13
Insurance	8,774	867	45
Legal Library	15,241	353	112
Membership Dues	2,349	90	1
Meetings	1,850	6	-
Moving Expense	910	31	1
Office Supplies	14,043	1,005	32
Postage	2,944	490	5
Printing and Design	4,393	935	146
Professional Development	9,267	263	-
Professional Fees	10,610	792	24
Recruiting	1,770	50	-
Repairs	1,003	-	-
Office Rent	437,511	-	-
Staff Costs	2,460	61	-
Transportation	65,988	3,062	-
Volunteer Appreciation	841	127	-
Uncollected Receivables	10,937	-	-
TOTAL EXPENSES	\$ <u>1,892,292</u>	\$ <u>223,486</u>	\$ <u>4,528</u>

The accompanying notes to financial statements are an integral part of this financial statement.

<u>Programs</u>		<u>Support</u>		
<u>Health Access</u>	<u>Systemic Advocacy</u>	<u>General and Administrative</u>	<u>Fund-raising</u>	<u>Total Expenses</u>
\$ 1,726	\$ -	\$ 8,853	\$ 24,496	\$ 96,030
-	-	-	3,229	96,464
188,366	11,289	119,127	123,525	1,708,039
-	-	-	50,390	50,390
3,283	132	739	402	24,940
1,486	111	865	969	27,088
1,302	-	-	-	13,163
218	-	-	-	955
3,907	130	2,006	2,645	44,091
988	33	507	669	11,150
1,130	227	723	563	12,329
2,242	900	261	276	19,385
444	4	790	1,046	4,724
-	-	360	188	2,404
46	4	25	17	1,034
1,797	145	874	594	18,490
492	22	3,787	6,190	13,930
1,228	101	773	1,095	8,671
2,403	-	-	-	11,933
2,496	120	6,013	923	20,978
-	-	95	122	2,037
-	-	-	-	1,003
-	-	-	-	437,511
-	-	2,335	93	4,949
5,908	8	298	155	75,419
-	-	480	134	1,582
-	-	-	190	11,127
<u>\$ 219,462</u>	<u>\$ 13,226</u>	<u>\$ 148,911</u>	<u>\$ 217,911</u>	<u>\$ 2,719,816</u>

**THE CHILDREN'S LAW CENTER, INC.**

**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30,**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 875,489	\$ 470,960
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	60,928	55,241
Loss on sale of equipment	-	119
Realized and Unrealized gain on investments	(13,453)	-
Changes in operating assets and liabilities		
(Increase) in accounts and annual event receivable	(340,223)	(49,000)
(Increase) in contributions receivable	(13,108)	119,094
(Increase)/Decrease in prepaid expenses and other current assets	2,096	(57,535)
Increase in accounts payable and accrued expenses	<u>31,163</u>	<u>28,069</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>602,892</u>	<u>566,948</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,712,232)	-
Proceeds from sale of investments	1,608,000	-
Purchase of equipment and leasehold improvements	(42,501)	(28,558)
Proceeds from sale of equipment	<u>-</u>	<u>1,327</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,146,733)</u>	<u>(27,231)</u>
Increase in cash and cash equivalents	(543,841)	539,717
Cash and cash equivalents at beginning of period	<u>1,008,967</u>	<u>469,250</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 465,126</u>	<u>\$ 1,008,967</u>

The accompanying notes to financial statements are an integral part of this financial statement.

**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Children's Law Center, Inc. (CLC) is a not-for-profit organization incorporated under the laws of the District of Columbia and is tax exempt under IRS Code Section 501(c)(3). CLC's mission is to help at-risk children in the District of Columbia find safe, permanent homes and the education, health care, and social services they need to flourish by providing a comprehensive range of legal services to children, their families, foster, and kinship care givers. CLC provides training and technical assistance to judges, lawyers, medical staff, foster parents, and teachers and advocates for systemic change in the courts with the mayor's office and before the D.C. Council and U.S. Congress. These activities are funded primarily through a contract with the DC Court to provide Guardian Ad Litem services, contributions, grants, and donated legal services.

CLC's programs include:

**Guardian Ad Litem Program** - CLC attorneys are the voice for DC's abused and neglected children, fighting to find safe homes and ensure that children receive the services they need to overcome the trauma that first brought them into the child welfare system.

**Family Permanency Project** - CLC provides free legal assistance to care givers who wish to adopt children in the DC child welfare system. By recruiting, training, and mentoring volunteer attorneys from area law firms, CLC's Family Permanency Project provides help to more children than CLC's staff of attorneys could directly represent. During the years ending September 30, 2006 and 2005 CLC placed caregivers with 39 and 51 area law firms, respectively. These law firms provided pro-bono services valued at approximately \$5,200,000 and \$4,400,000 for each of the years ended September 31, 2006 and 2005.

**Child Witnesses to Domestic Violence** - Through appointment by the DC Family Court, CLC represents children in complex custody cases involving domestic violence. Assistance from volunteer attorneys, who are trained and mentored by CLC, permits the representation of more children than the in-house staff could otherwise handle. During the years ending September 30, 2006 and 2005, CLC placed children with five and eight area law firms, respectively, who provided pro-bono services valued at approximately \$140,000 and \$175,000, respectively.

**Health Access Project** - In collaboration with Children's National Medical Center, CLC's Health Access Project helps overcome the effects of poverty and barriers to health faced by poor children by fighting the legal and administrative battles necessary to improve a child's health.

**Systemic Advocacy** (includes Training and Technical Assistance) - CLC works toward systemic change by advocating and educating the courts, DC Council, the Mayor's Office, Congress and other organizations. CLC also trains lawyers, psychiatrists, social workers, judges, foster parents and other community members on a variety of issues that affect children. For the year ended September 30, 2006, Systemic Advocacy was considered part of CLC's other four programs and was not reported separately.

The following is a summary of significant accounting policies followed in the preparation of these financial statements.

- (a). Cash and Cash Equivalents - CLC considers cash and cash equivalents to include substantially all highly liquid investments with a maturity of three months or less when purchased, except for fixed income securities which are reported as investments.

**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(Continued)**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued**

- (b). Accounts Receivable – Accounts receivable represent legal fees eligible for partial reimbursement from the District of Columbia Public Schools and contract revenue from the District of Columbia Superior Court. Only the portions of the fees that qualify for reimbursement are recorded. Therefore, the receivables are considered fully collectible.
- (c). Investments – Investments are composed of debt securities and are carried at fair value.
- (d). Property and Equipment - Property and equipment are recorded at cost if purchased or fair value if contributed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. CLC estimates useful lives of five years for furniture and equipment and three years for computer equipment, software and leasehold improvements. Expenditures for maintenance and repairs are charged against income as incurred; betterments which increase the value or materially extend the life of the related asset are capitalized.
- (e). Classification of Net Assets - Unrestricted net assets represent the portion of expendable funds that are available for support of CLC's operations. Temporarily restricted net assets represent amounts that are specifically restricted by the grantor for a specific program or future periods.
- (f). Revenue Recognition - CLC reports contributions as temporarily restricted support if they are received with donor or grantor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statement of activities as net assets released from restrictions.

Unrestricted contributions are reported as revenue in the year in which the payments are received and/or unconditional promises are made. Revenue recognized on contributions that have been committed to CLC but have not been received is reflected as contributions receivable in the accompanying statement of financial position.

- (g). Donated Services and Goods - Donated services are recorded at the average hourly rate which would be paid to such persons in the market place based upon their experience and the nature of the services provided. Donated goods are recognized at fair market value at the date of the gift.
- (h). Gifts of Long-Lived Assets - CLC reports gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long these long-lived assets must be maintained, CLC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: Continued**

- (i). Concentrations of Credit Risk - Financial instruments that potentially subject CLC to concentration of credit risk consist principally of cash. Substantially all of CLC's cash and cash equivalents are maintained in a single bank. CLC has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by Federal Deposit Insurance, but CLC believes that its credit risk is not significant. On September 30, 2006 and 2005, CLC's cash and cash equivalents exceeded FDIC limits by \$459,765 and \$960,478, respectively.
- (j). Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- (k). Estimates - The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant items subject to such estimates and assumptions include in-kind support and expense.

**NOTE 2 - CONTRIBUTIONS AND ANNUAL EVENT RECEIVABLE**

Contributions receivable represent grants from foundations and corporations. The \$68,800 and \$55,692 balance at September 30, 2006 and 2005, respectively, is all due within one year. All contributions are believed to be fully collectible.

The annual event receivable balance of \$48,734 and \$41,000 at September 30, 2006 and 2005, respectively, represents pledges for the event that occurred in September.

**NOTE 3 - PROPERTY AND EQUIPMENT AND RELATED DEPRECIATION**

CLC's property and equipment consisted of the following at September 30,:

	<u>2006</u>	<u>2005</u>
Computer equipment	\$ 128,230	\$ 89,785
Database software	44,246	44,246
Leasehold Improvements	33,451	33,451
Office furniture	6,254	5,523
Telephone equipment	38,907	35,582
Less: Accumulated depreciation and amortization	<u>(179,266)</u>	<u>(118,338)</u>
NET PROPERTY AND EQUIPMENT	\$ <u>71,822</u>	\$ <u>90,249</u>

**THE CHILDREN'S LAW CENTER, INC.**

**NOTES TO FINANCIAL STATEMENTS  
(Continued)**

**NOTE 4 - INVESTMENTS**

CLC opened an investment account in March 2006. The investment balance of \$1,117,685 at September 30, 2006, consists of zero coupon bonds which mature in one year or less. Investment income reported in the statement of activities consists of the following at September 30,:

	<u>2006</u>	<u>2005</u>
Interest earned on cash and cash equivalents	\$ 31,492	\$ 9,154
Realized gains on investments	6,959	-
Unrealized gains on investments	<u>6,494</u>	<u>-</u>
Total Investment Income	\$ <u>44,945</u>	\$ <u>9,154</u>

**NOTE 5 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were as follows at September 30,:

	<u>2006</u>	<u>2005</u>
Board Development	\$ 400	\$ 10,000
Domestic Violence	-	6,034
Family Permanency	-	43,021
Systemic Advocacy	-	12,194
Health Access	-	45,904
Time restricted	<u>107,985</u>	<u>96,692</u>
TOTAL	\$ <u>108,385</u>	\$ <u>213,845</u>

The beginning net assets reported in the Statement of Activities for the year ended September 30, 2006, include a reclassification of \$41,000 from unrestricted to temporarily restricted net assets. This amount represents the annual event receivable balance at September 30, 2005, which was not reported as time restricted net assets in the prior year's statements.

**NOTE 6 - DONATED GOODS AND SERVICES**

CLC received goods, staff salaries, and other donated services and supplies. The estimated value of donated goods, services, and supplies for the years ended September 30, was:

	<u>2006</u>	<u>2005</u>
Goods and services	\$ 151,165	\$ 96,030
Salary	<u>97,465</u>	<u>96,464</u>
TOTAL	\$ <u>248,630</u>	\$ <u>192,494</u>

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

**NOTE 7 - CONTRACT WITH DISTRICT OF COLUMBIA SUPERIOR COURT**

CLC was awarded a contract by the District of Columbia Superior Court to provide guardian ad litem (GAL) representation for abused and neglected children for the period August 1, 2003 through July 31, 2004, with options for two one-year extensions. In July 2005, the contract periods for Option Year One and Option Year Two were amended to agree to CLC's fiscal year-end. The second extension for the period October 1, 2005 through September 30, 2006 provides contract revenue of \$3,124,265 which represents a significant portion of CLC's revenues. Under the contract, CLC is provided the use of two copiers without charge for the term of the contract.

**NOTE 8 - LEASE COMMITMENTS**

CLC subleases office space under an operating lease which was scheduled to terminate on July 31, 2006. In December 2006, the lease was extended to April 2007, and the monthly rent was adjusted to \$20,000 beginning on January 1, 2006. The lease is cancelable if funding from the District of Columbia Superior Court is either not renewed or is reduced below specified levels during the term of the lease. Minimum future payments under the lease are:

<u>Year Ending September 30,</u>	<u>Amount</u>
2007	\$ <u>120,000</u>
TOTAL MINIMUM FUTURE RENTAL PAYMENTS	\$ <u>120,000</u>

In December 2006, the Organization is finalizing a ten year lease agreement for office space in Washington, DC. The lease is scheduled to start in April, 2007, with a base monthly rent of \$56,738 in the first year, with an escalation clause of approximately 2.5% annually.

**NOTE 9 - RETIREMENT PLAN**

CLC has an employees' 401(k) plan which covers all employees starting at their date of hire. CLC may make an annual matching contribution equal to a uniform percentage of the employees' salary deferrals and/or a discretionary profit-sharing contribution to the plan. CLC matching contributions for the years ended September 30, 2006 and 2005 were \$25,494 and \$20,816, respectively.

**NOTE 10 - LINE OF CREDIT**

In November 2004, CLC obtained a line of credit with Wachovia Bank in the amount of \$250,000. In November 2006, the line of credit was increased to \$350,000. As of September 30, 2006 and 2005, no draws have been made against the line of credit.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 11 - FUNCTIONAL EXPENSES

For the period ended September 30, total expenses, net of the amounts of services and facilities donated to CLC, are as follows:

	<u>September 30, 2006</u>			
	<u>Total Expenses (Donated and CLC)</u>	<u>Donated Goods and Services</u>	<u>Donated Salary</u>	<u>Total Paid Expenses</u>
PROGRAMS				
Guardian Ad Litem	\$ 2,331,752	\$ (54,047)	\$ -	\$ 2,277,705
Family Permanency	285,082	(3,880)	(97,465)	183,737
Child Witnesses to Domestic Violence	13,184	(647)	-	12,537
Health Access	351,138	(6,468)	-	344,670
Systemic Advocacy	-	-	-	-
SUPPORT				
General and administrative	198,823	(59,335)	-	139,488
Fundraising	<u>296,206</u>	<u>(26,788)</u>	<u>-</u>	<u>269,418</u>
TOTAL	<u>\$ 3,476,185</u>	<u>\$ (151,165)</u>	<u>\$ (97,465)</u>	<u>\$ 3,227,555</u>

	<u>September 30, 2005</u>			
	<u>Total Expenses (Donated and CLC)</u>	<u>Donated Goods and Services</u>	<u>Donated Salary</u>	<u>Total Paid Expenses</u>
PROGRAMS				
Guardian Ad Litem	\$ 1,892,292	\$ (56,142)	\$ (14,725)	\$ 1,821,425
Family Permanency	223,486	(4,238)	(78,510)	140,738
Child Witnesses to Domestic Violence	4,528	(575)	-	3,953
Health Access	219,462	(1,726)	-	217,736
Systemic Advocacy	13,226	-	-	13,226
SUPPORT				
General and administrative	148,911	(8,853)	-	140,058
Fundraising	<u>217,911</u>	<u>(24,496)</u>	<u>(3,229)</u>	<u>190,186</u>
TOTAL	<u>\$ 2,719,816</u>	<u>\$ (96,030)</u>	<u>\$ (96,464)</u>	<u>\$ 2,527,322</u>