



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

**SEPTEMBER 30, 2008 AND 2007**

## TABLE OF CONTENTS

	Page
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses for the Year Ended September 30, 2008	4
Statement of Functional Expenses for the Year Ended September 30, 2007	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Children's Law Center, Inc.  
Washington, D.C.

We have audited the statements of financial position of The Children's Law Center, Inc. (CLC) as of September 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of CLC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Squire, Lemkau + O'Brien, LLP*

January 20, 2009

**THE CHILDREN'S LAW CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2008 AND 2007**

<b>ASSETS</b>	<u>2008</u>	<u>2007</u>
<b>CURRENT ASSETS:</b>		
Cash and equivalents	\$ 471,862	\$ 1,301,220
Cash and equivalents - restricted	237,958	232,204
Investments	1,677,568	393,664
Accounts receivable	341,526	644,321
Contributions and grants receivable	87,850	44,250
Annual event receivable	43,590	46,423
Prepaid expenses	121,841	100,991
Other current assets	5,795	4,801
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 2,987,990</u>	<u>\$ 2,767,874</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<u>270,277</u>	<u>355,035</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,258,267</u></u>	<u><u>\$ 3,122,909</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 124,440	\$ 79,369
<b>TOTAL LIABILITIES</b>	<u>\$ 124,440</u>	<u>\$ 79,369</u>
<b>NET ASSETS:</b>		
Unrestricted	\$ 2,857,482	\$ 2,836,207
Temporarily restricted	276,345	207,333
<b>TOTAL NET ASSETS</b>	<u>\$ 3,133,827</u>	<u>\$ 3,043,540</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,258,267</u></u>	<u><u>\$ 3,122,909</u></u>

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

THE CHILDREN'S LAW CENTER, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30,

	2008			2007		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
<b>REVENUE AND SUPPORT:</b>						
D.C. court contract	\$ 3,823,748	\$ -	\$ 3,823,748	\$ 3,808,783	\$ -	\$ 3,808,783
Contributions	524,001	-	524,001	434,820	-	434,820
Donated goods and services	393,374	-	393,374	317,729	-	317,729
Grants	72,500	805,348	877,848	19,775	608,804	628,579
Legal fees	71,380	-	71,380	21,073	-	21,073
Investment income	55,636	-	55,636	79,225	-	79,225
Other income	2,925	-	2,925	-	-	-
Net assets released from restrictions	736,336	(736,336)	-	509,856	(509,856)	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>\$ 5,679,900</b>	<b>\$ 69,012</b>	<b>\$ 5,748,912</b>	<b>\$ 5,191,261</b>	<b>\$ 98,948</b>	<b>\$ 5,290,209</b>
<b>EXPENSES:</b>						
Legal Programs:						
Guardian Ad Litem	\$ 3,642,471	\$ -	\$ 3,642,471	\$ 2,942,304	\$ -	\$ 2,942,304
Family Permanency	414,633	-	414,633	325,372	-	325,372
Custody - Guardian Ad Litem	53,564	-	53,564	74,040	-	74,040
Health Access	736,001	-	736,001	538,448	-	538,448
Policy	127,087	-	127,087	-	-	-
Consortium	25,655	-	25,655	10,720	-	10,720
<b>TOTAL LEGAL PROGRAMS</b>	<b>\$ 4,999,411</b>	<b>\$ -</b>	<b>\$ 4,999,411</b>	<b>\$ 3,890,884</b>	<b>\$ -</b>	<b>\$ 3,890,884</b>
Supporting Services:						
General and administrative	319,406	-	319,406	315,271	-	315,271
Fundraising	339,808	-	339,808	328,654	-	328,654
<b>TOTAL EXPENSES</b>	<b>\$ 5,658,625</b>	<b>\$ -</b>	<b>\$ 5,658,625</b>	<b>\$ 4,534,809</b>	<b>\$ -</b>	<b>\$ 4,534,809</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 21,275</b>	<b>\$ 69,012</b>	<b>\$ 90,287</b>	<b>\$ 656,452</b>	<b>\$ 98,948</b>	<b>\$ 755,400</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,836,207</b>	<b>207,333</b>	<b>3,043,540</b>	<b>2,179,755</b>	<b>108,385</b>	<b>2,288,140</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 2,857,482</b>	<b>\$ 276,345</b>	<b>\$ 3,133,827</b>	<b>\$ 2,836,207</b>	<b>\$ 207,333</b>	<b>\$ 3,043,540</b>

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

**THE CHILDREN'S LAW CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Legal Programs						Supporting Services			
	Guardian Ad Litem	Family Permanency	Custody Guardian Ad Litem	Health Access	Policy	Consortium	Totals	General and Administrative	Fundraising	Total
Donated goods and services	\$ 74,277	\$ 9,958	\$ 1,035	\$ 13,643	\$ 107,113	\$ -	\$ 206,026	\$ 80,654	\$ 4,607	\$ 291,287
Donated salary	-	102,087	-	-	-	-	102,087	-	-	102,087
Compensation and benefits	2,686,786	197,979	41,950	537,222	19,244	21,106	3,504,287	157,252	182,135	3,843,674
Event expenses	-	-	-	107	-	-	107	-	58,696	58,803
Communications	40,881	3,956	250	8,926	77	-	54,090	1,635	1,132	56,857
Computer and telephone	39,959	4,988	616	8,177	-	-	53,740	3,207	2,262	59,209
Client costs	19,266	2,786	-	6,238	-	-	28,290	-	-	28,290
Cost of litigation	2,520	265	221	11,130	-	-	14,136	-	-	14,136
Database services	9,148	821	360	1,476	-	-	11,805	48	1,992	13,845
Depreciation	65,396	8,744	909	11,979	-	-	87,028	3,888	6,945	97,861
Amortization	3,958	531	55	727	-	-	5,271	255	245	5,771
Direct mail	-	-	-	-	-	-	-	-	13,662	13,662
Insurance	19,720	2,644	275	3,622	-	-	26,261	1,270	1,223	28,754
Legal library	11,141	1,469	147	3,651	-	-	16,408	291	1,250	17,949
Membership dues	7,579	901	137	2,737	-	-	11,354	1,052	43	12,449
Meetings	308	57	-	3,284	393	2,322	6,364	939	396	7,699
Office supplies	13,561	1,322	137	1,811	-	173	17,004	2,384	829	20,217
Postage	6,159	715	72	1,903	11	-	8,860	1,086	1,140	11,086
Printing and design	3,930	2,816	28	565	67	-	7,406	771	2,504	10,681
Professional development	23,429	2,651	-	6,920	-	1,750	34,750	20,569	27,622	82,941
Professional fees	15,875	1,681	216	2,805	39	-	20,616	8,482	976	30,074
Recruiting	2,188	-	-	360	120	-	2,668	125	1,490	4,283
Office rent	482,523	64,759	6,717	88,788	-	-	642,787	32,170	29,911	704,868
Staff costs	12,179	1,077	62	1,150	-	-	14,468	2,750	390	17,608
Transportation	101,688	2,426	377	18,780	23	304	123,598	578	358	124,534
<b>TOTAL EXPENSES</b>	<b>\$ 3,642,471</b>	<b>\$ 414,633</b>	<b>\$ 53,564</b>	<b>\$ 736,001</b>	<b>\$ 127,087</b>	<b>\$ 25,655</b>	<b>\$ 4,999,411</b>	<b>\$ 319,406</b>	<b>\$ 339,808</b>	<b>\$ 5,658,625</b>

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

**THE CHILDREN'S LAW CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	Legal Programs					Supporting Services			Total
	Guardian Ad Litem	Family Permanency	Custody Guardian Ad Litem	Health Access	Consortium	Totals	General and Administrative	Fundraising	
Donated goods and services	\$ 92,359	\$ 7,486	\$ 2,310	\$ 14,481	\$ -	\$ 116,636	\$ 74,719	\$ 17,972	\$ 209,327
Donated salary	-	108,402	-	-	-	108,402	-	-	108,402
Compensation and benefits	2,167,838	136,873	58,479	406,173	10,388	2,779,751	185,923	202,757	3,168,431
Event expenses	-	-	-	80	-	80	-	53,001	53,081
Board development	-	-	-	-	-	-	3,369	-	3,369
Communications	32,620	3,084	317	5,797	-	41,818	1,777	1,051	44,646
Computer and telephone	31,663	3,937	735	6,416	-	42,751	1,870	1,699	46,320
Client costs	19,789	2,014	300	6,225	-	28,328	-	-	28,328
Cost of litigation	2,671	874	-	9,477	-	13,022	-	-	13,022
Depreciation	48,396	5,993	1,089	6,805	-	62,283	2,734	5,759	70,776
Amortization	3,094	434	292	260	-	4,080	203	193	4,476
Direct mail	-	-	-	-	-	-	-	13,333	13,333
Insurance	16,349	2,294	402	2,512	-	21,557	1,074	1,022	23,653
Legal library	12,197	840	276	3,439	-	16,752	203	-	16,955
Membership dues	5,883	310	393	1,298	-	7,884	948	212	9,044
Meetings	1,670	227	34	6,442	74	8,447	401	238	9,086
Office supplies	20,635	2,175	423	2,601	-	25,834	2,187	1,334	29,355
Postage	4,514	696	213	1,027	-	6,450	505	3,015	9,970
Printing and design	20,139	732	173	971	-	22,015	370	4,641	27,026
Professional development	20,684	320	-	3,797	-	24,801	5,334	1,560	31,695
Professional fees	8,979	1,237	217	1,354	-	11,787	8,811	751	21,349
Recruiting	910	58	2	416	50	1,436	-	-	1,436
Office rent	316,913	44,347	7,772	48,553	-	417,585	21,806	19,751	459,142
Staff costs	8,329	1,607	106	1,152	-	11,194	1,499	183	12,876
Transportation	106,672	1,432	507	9,172	208	117,991	1,538	182	119,711
<b>TOTAL EXPENSES</b>	<b>\$ 2,942,304</b>	<b>\$ 325,372</b>	<b>\$ 74,040</b>	<b>\$ 538,448</b>	<b>\$ 10,720</b>	<b>\$ 3,890,884</b>	<b>\$ 315,271</b>	<b>\$ 328,654</b>	<b>\$ 4,534,809</b>

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

THE CHILDREN'S LAW CENTER, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED  
SEPTEMBER 30,

	<u>2008</u>	<u>2007</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 90,287	\$ 755,400
Reconciliation adjustments:		
Depreciation and amortization	103,632	75,252
Realized and unrealized gain on investments	(10,762)	(12,712)
Changes in assets and liabilities:		
Accounts receivable	302,795	(119,610)
Annual event receivable	2,833	2,311
Contributions and grants receivable	(43,600)	24,550
Prepaid expenses	(20,850)	(46,186)
Other current assets	(994)	658
Accounts payable and accrued expenses	45,071	10,367
<b>NET CASH PROVIDED BY OPERATING     ACTIVITIES</b>	<u>\$ 468,412</u>	<u>\$ 690,030</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	\$ 1,353,750	\$ 976,875
Purchase of investments	(2,626,892)	(899,436)
Purchase of cash and equivalents - restricted	(5,754)	(232,204)
Purchases of property and equipment	(18,874)	(358,465)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>\$ (1,297,770)</u>	<u>\$ (513,230)</u>
<b>NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS</b>	\$ (829,358)	\$ 176,800
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>1,301,220</u>	<u>1,124,420</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 471,862</u></u>	<u><u>\$ 1,301,220</u></u>

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

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

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008 AND 2007**

Note 1. **Organization and Significant Accounting Policies**

**Organization** - 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). The Children's Law Center envisions a future for the District of Columbia in which every child has a safe home, a meaningful education and a healthy mind and body. CLC works to achieve this vision by providing legal services to at-risk children and their families and using the knowledge they gain from representing individual clients to advocate for changes in the law and its implementation. CLC provides training and technical assistance to judges, lawyers, medical staff, foster parents, teachers, and advocates for systematic change in the courts with the mayor's office and before the DC Council and U.S. Congress. These activities are funded primarily through a contract with the DC Court to provide Guardian Ad Litem services, as well as contributions, grants, and donated legal services.

**Accounting Method** - CLC uses the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

CLC presents its financial statements in accordance with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Statements of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, and No. 117, *Financial Statements of Not-for-Profit Organizations*. Accordingly, the net assets of CLC are reported in each of the following three classes: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets.

Net assets of the two restricted classes are created only by contributions with donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are legally unrestricted, and are reported as part of the unrestricted class.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of contributions with donor-imposed restrictions. Accordingly, net assets are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets from contributions subject to donor-imposed stipulations that may or will be met either by actions of CLC and/or the passage of time. 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 statements of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets from contributions subject to donor imposed stipulations, which are permanent in nature, prohibiting expenditure of the assets pledged or donated. Typically, the income earned on invested balances of permanently restricted net assets is reported as part of unrestricted net assets unless the donor specifically limits the use of such income. CLC did not have any permanently restricted net assets at September 30, 2008 and 2007.

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

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008 AND 2007**

Note 1. **Organization and Significant Accounting Policies** (Continued)

**Tax-Exempt Status** - Under Section 501(c)(3) of the Internal Revenue Code, CLC is exempt from the payment of taxes on income other than net unrelated business income. No provision for income taxes is required for the years ended September 30, 2008 and 2007, as CLC had no net unrelated business income.

**Cash and Equivalents** - For purposes of the statements of cash flows, CLC considers all money market accounts not held for long-term investment purposes and investments purchased with an original maturity of three months or less to be cash equivalents.

**Property and Equipment** - Property and equipment are recorded at cost if purchased or fair market 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 and software. Leasehold improvements are amortized using the straight-line method over the life of the lease, which is ten years. 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.

**Functional Allocation of Expenses** - The cost of providing the various programs and other activities has been summarized in the accompanying statements of functional expenses. Costs which cannot be specifically identified with a particular function and which benefit more than one functional category are allocated to the different functional areas based on direct salaries. Management believes that this method accurately reflects the cost of administering CLC's programs.

**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 the reported amounts of certain assets and liabilities, and revenue and expenses. Accordingly, actual results could differ from those estimates.

Note 2. **Concentration of Risk** - Financial instruments which potentially subject CLC to concentrations of credit risk include cash deposits with commercial banks. CLC's cash management policies limit its exposure to concentrations of credit risk by maintaining cash accounts at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Cash deposits may, however, exceed the FDIC insurable limits at times throughout the year. The FDIC temporarily increased the insurable limit from \$100,000 to \$250,000 in October 2008. Management does not consider this a significant concentration of credit risk because the fluctuations in their balance throughout the course of the year mean that there are relatively few days in which they are substantially above the FDIC limit.

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

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008 AND 2007**

Note 3. **Investments** - Investments consist of debt securities, recorded at fair value, and certificates of deposit with maturities greater than three months. The investment balance at September 30, 2008 and 2007 was \$1,677,568 and \$393,664, respectively. Investment income consists of the following at September 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Interest earned on cash and equivalents	\$ 44,874	\$ 66,513
Realized gains on investments	12,527	13,064
Unrealized losses on investments	<u>(1,765)</u>	<u>(352)</u>
Totals	<u>\$ 55,636</u>	<u>\$ 79,225</u>

Note 4. **Accounts Receivable** - Accounts receivable represents 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. Accounts receivable at September 30, 2008 and 2007, was \$341,526 and \$644,321, respectively.

Contributions receivable at September 30, 2008 and 2007, was \$87,850 and \$44,250, respectively, representing amounts receivable for foundation and corporate grants. Contributions receivable are due within one year and are believed to be fully collectible.

The annual event receivable balance at September 30, 2008 and 2007, was \$43,590 and \$46,423, respectively, representing unpaid pledges for the September event.

Note 5. **Donated Goods and Services** - Children's Law Center receives goods, staff services, and other donated services and supplies. 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. The estimated value of donated goods, services, and supplies for the years ended September 30, 2008 and 2007, consist of the following:

	<u>2008</u>	<u>2007</u>
Goods and services	\$ 291,287	\$ 209,327
Salary equivalent	<u>102,087</u>	<u>108,402</u>
Totals	<u>\$ 393,374</u>	<u>\$ 317,729</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008 AND 2007**

Note 6. **Property and Equipment** - Children's Law Center holds the following property and equipment as of September 30:

	2008	2007
Computer equipment	\$ 186,651	\$ 167,777
Database software	29,031	29,031
Leasehold improvements	57,712	57,712
Office furniture	228,215	228,215
Telephone equipment	49,122	49,122
Total property and equipment	\$ 550,731	\$ 531,857
Less, accumulated depreciation and amortization	(280,454)	(176,822)
Net property and equipment	\$ 270,277	\$ 355,035

Depreciation and amortization expense for CLC is \$103,633 and \$75,252 for the years ended September 30, 2008 and 2007, respectively.

Note 7. **Retirement Plan** - Children's Law Center maintains a 401(k) retirement plan which is available to all employees starting at their date of hire. Under the terms of the plan, 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. The matching employer contributions for the years ended September 30, 2008 and 2007, total \$83,706 and \$40,037, respectively.

Note 8. **Program Activities** - Children's Law Center provides a variety of free legal services to low-income, at-risk children and their families in the District of Columbia. CLC has developed programs to offer these services and promote their mission. These programs include:

Guardian Ad Litem Program - CLC's 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 welfare system.

Family Permanency Project - CLC facilitates 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008 AND 2007**

Note 8. **Program Activities (Continued)**

Family Permanency Project (Continued) - During the years ending September 30, 2008 and 2007, CLC placed caregivers with 58 and 49 area law firms, respectively. These law firms provided pro-bono services valued at approximately \$5,400,000 and \$4,600,000 for each of the years ended September 30, 2008 and 2007, respectively.

Custody – Guardian Ad Litem Program - 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, 2008 and 2007, the Center placed children with 25 and 15 area law firms, respectively, who provided pro-bono services valued at approximately \$1,300,000 and \$445,000, 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. During the year ended September 30, 2008, CLC placed children with area law firms, who provided pro-bono services valued at approximately \$490,000.

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.

Note 9. **Contract with the District of Columbia Superior Court** - CLC was awarded a contract by the District of Columbia Superior Court to provide guardian ad litem representation for abused and neglected children for the period October 1, 2006 through September 30, 2007, with options for two one-year extensions. The 2008 option has been exercised by the District of Columbia Superior Court. Revenue from the contract in the amount of \$3,823,748 and \$3,808,783, is recognized for the years ended September 30, 2008 and 2007, respectively. This represents a substantial portion of CLC's revenues. However, management does not consider this to be a significant risk due to the District of Columbia's dependence on the services provided by CLC. Under the contract, CLC is provided with the use of two copiers without charge for the term of the contract.

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

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2008 AND 2007**

Note 10. **Operating Leases** - During fiscal year 2007, CLC entered into a 10 year lease agreement for approximately 16,308 square feet of office space located at 616 H Street, NW, Suite 300, Washington, DC. The monthly base rent in the first year is \$56,738, with an escalation clause of 2.5% annually.

Children's Law Center is obligated to pay a security deposit in the amount of \$226,953 under the terms of the lease. As a result, CLC entered into an agreement with Morgan Stanley to create a Pledged Account for the purpose of securing CLC's obligations under the lease. Morgan Stanley will invest the assets of the Pledged Account solely in cash, cash equivalents, or investment grade short-term fixed income securities. The value of the pledged account is \$237,958 and \$232,204 as of September 30, 2008 and 2007, respectively.

At September 30, 2008, the future minimum base lease obligations are as follows:

Year Ending June 30,	Amount
2009	\$ 706,604
2010	724,269
2011	742,376
2012	767,849
2013	793,959
Thereafter	2,935,749
Total	\$ 6,670,806

Note 11. **Temporarily Restricted Net Assets** - As of September 30, 2008 and 2007, CLC's temporarily restricted net assets consist of the following:

	2008	2007
Health Access Consortium	\$ 119,098	\$ 116,803
Policy	8,625	34,280
Exponent award	30,080	--
Time restricted	62,292	--
Totals	\$ 276,345	\$ 207,333