



THE CHILDREN'S LAW CENTER, INC.

SEPTEMBER 30, 2009 AND 2008

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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, 2009 and 2008, 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 audit 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, 2009 and 2008, 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, Lemkin + Co., LLP

January 12, 2010

THE CHILDREN'S LAW CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2009 AND 2008

ASSETS	2009	2008
CURRENT ASSETS:		
Cash and equivalents	\$ 955,576	\$ 471,862
Cash and equivalents - restricted	238,960	237,958
Investments	767,333	1,677,568
Accounts receivable	777,087	341,526
Contributions and grants receivable	51,875	87,850
Annual event receivable	53,513	43,590
Prepaid expenses	123,855	121,841
Other current assets	11,156	5,795
TOTAL CURRENT ASSETS	\$ 2,979,355	\$ 2,987,990
OTHER ASSETS:		
Deposits	\$ 6,900	\$ -
PROPERTY AND EQUIPMENT, NET	\$ 235,182	\$ 270,277
TOTAL ASSETS	\$ 3,221,437	\$ 3,258,267
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 138,431	\$ 124,440
TOTAL LIABILITIES	\$ 138,431	\$ 124,440
NET ASSETS:		
Unrestricted	\$ 2,872,978	\$ 2,857,482
Temporarily restricted	210,028	276,345
TOTAL NET ASSETS	\$ 3,083,006	\$ 3,133,827
TOTAL LIABILITIES AND NET ASSETS	\$ 3,221,437	\$ 3,258,267

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,

	2009			2008		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT:						
D.C. court contract	\$ 4,297,774	\$ -	\$ 4,297,774	\$ 3,823,748	\$ -	\$ 3,823,748
Contributions	628,798	-	628,798	524,001	-	524,001
Donated goods and services	320,261	-	320,261	393,374	-	393,374
Grants	142,000	552,918	694,918	72,500	805,348	877,848
Legal fees	64,715	-	64,715	71,380	-	71,380
Investment income	62,489	-	62,489	55,636	-	55,636
Other income	1,735	9,525	11,260	2,925	-	2,925
Net assets released from restrictions	628,760	(628,760)	-	736,336	(736,336)	-
TOTAL REVENUE AND SUPPORT	\$ 6,146,532	\$ (66,317)	\$ 6,080,215	\$ 5,679,900	\$ 69,012	\$ 5,748,912
EXPENSES:						
Legal Programs:						
Guardian Ad Litem	\$ 3,721,717	\$ -	\$ 3,721,717	\$ 3,642,471	\$ -	\$ 3,642,471
Family Permanency	454,014	-	454,014	414,633	-	414,633
Custody - Guardian Ad Litem	68,617	-	68,617	53,564	-	53,564
Health Access	804,350	-	804,350	736,001	-	736,001
Policy	354,362	-	354,362	127,087	-	127,087
Consortium	12,109	-	12,109	25,655	-	25,655
TOTAL LEGAL PROGRAMS	\$ 5,415,169	\$ -	\$ 5,415,169	\$ 4,999,411	\$ -	\$ 4,999,411
Supporting Services:						
General and administrative	\$ 327,216	\$ -	\$ 327,216	\$ 319,406	\$ -	\$ 319,406
Fundraising	388,651	-	388,651	339,808	-	339,808
TOTAL EXPENSES	\$ 6,131,036	\$ -	\$ 6,131,036	\$ 5,658,625	\$ -	\$ 5,658,625
CHANGE IN NET ASSETS	\$ 15,496	\$ (66,317)	\$ (50,821)	\$ 21,275	\$ 69,012	\$ 90,287
NET ASSETS, BEGINNING OF YEAR	2,857,482	276,345	3,133,827	2,836,207	207,333	3,043,540
NET ASSETS, END OF YEAR	\$ 2,872,978	\$ 210,028	\$ 3,083,006	\$ 2,857,482	\$ 276,345	\$ 3,133,827

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, 2009

	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	\$ 109,687	\$ 14,360	\$ 2,085	\$ 20,781	\$ -	\$ -	\$ 146,913	\$ 34,854	\$ 23,485	\$ 205,252
Donated salary	-	115,009	-	-	-	-	115,009	-	-	115,009
Compensation and benefits	2,777,003	229,500	53,984	558,942	292,275	11,838	3,923,542	206,684	213,511	4,343,737
Event expenses	30	-	-	-	-	-	30	-	69,768	69,798
Communications	41,232	4,456	337	10,529	3,753	-	60,307	1,458	1,426	63,191
Computer and telephone	39,048	3,983	578	6,740	2,649	-	52,998	2,178	3,284	58,460
Client costs	12,263	2,680	-	3,910	-	-	18,853	-	87	18,940
Cost of litigation	7,873	854	-	11,402	-	-	20,129	-	-	20,129
Depreciation	58,522	7,662	1,113	11,088	5,095	-	83,480	3,647	7,451	94,578
Amortization	3,901	511	74	739	340	-	5,565	271	316	6,152
Direct mail	-	-	-	-	-	-	-	-	7,843	7,843
Insurance	20,673	2,032	397	3,953	1,765	-	28,820	1,316	1,455	31,591
Legal library	16,938	2,155	305	5,064	1,344	-	25,806	26	1,559	27,391
Membership dues	8,887	1,100	43	1,944	523	-	12,497	1,213	202	13,912
Meetings	226	20	-	3,791	450	-	4,487	760	2,417	7,664
Office supplies	10,323	1,240	180	2,173	824	-	14,740	1,926	1,098	17,764
Postage	4,506	679	202	1,197	408	16	7,008	655	2,083	9,746
Printing and design	1,790	109	57	300	155	-	2,411	974	9,999	13,384
Professional development	21,460	633	-	42,228	1,360	-	65,681	24,515	1,185	91,381
Professional fees	12,908	3,086	215	2,442	1,023	-	19,674	11,817	1,232	32,723
Recruiting	1,120	60	-	252	430	-	1,862	-	235	2,097
Office rent	470,297	61,552	8,938	89,169	40,934	-	670,890	32,770	38,090	741,750
Bad debt	-	-	-	10,320	-	-	10,320	-	-	10,320
Staff costs	7,838	1,046	26	678	389	-	9,977	1,894	1,182	13,053
Transportation	95,192	1,287	83	16,708	645	255	114,170	258	743	115,171
TOTAL EXPENSES	\$ 3,721,717	\$ 454,014	\$ 68,617	\$ 804,350	\$ 354,362	\$ 12,109	\$ 5,415,169	\$ 327,216	\$ 388,651	\$ 6,131,036

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
TOTAL EXPENSES	\$ 3,642,471	\$ 414,633	\$ 53,564	\$ 736,001	\$ 127,087	\$ 25,655	\$ 4,999,411	\$ 319,406	\$ 339,808	\$ 5,658,625

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,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (50,821)	\$ 90,287
Reconciliation adjustments:		
Depreciation and amortization	100,730	103,632
Realized and unrealized gain on investments	(4,765)	(10,762)
Changes in assets and liabilities:		
Accounts receivable	(435,561)	302,795
Annual event receivable	(9,923)	2,833
Contributions and grants receivable	35,975	(43,600)
Prepaid expenses	(2,014)	(20,850)
Other current assets	(5,361)	(994)
Accounts payable and accrued expenses	13,991	45,071
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>\$ (357,749)</u>	<u>\$ 468,412</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	\$ 1,585,000	\$ 1,353,750
Purchase of investments	(670,000)	(2,626,892)
Payment of deposits	(6,900)	-
Purchase of cash and equivalents - restricted	(1,002)	(5,754)
Purchases of property and equipment	(65,635)	(18,874)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>\$ 841,463</u>	<u>\$ (1,297,770)</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	\$ 483,714	\$ (829,358)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>471,862</u>	<u>1,301,220</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 955,576</u>	<u>\$ 471,862</u>

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

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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 it gains 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. CLC's activities are funded primarily through a contract with the DC Court to provide Guardian Ad Litem services, as well as through 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 Statements for Not-For-Profit Organizations Topic of the FASB Accounting Standards Codification. 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, 2009 and 2008.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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, 2009 and 2008, 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. 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.

Subsequent Events - CLC evaluated subsequent events for potential required disclosure through January 12, 2010, which is the date the financial statements were available to be issued.

Accounting for Uncertain Tax Provisions - CLC recognizes any potential financial statement impact of a tax position when it is more-likely-than-not that the position will not be sustained upon examination as required by the Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification. This topic provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an organization's financial statements in accordance with the Accounting for Income Taxes Topic of the FASB Accounting Standards Codification. On December 30, 2008, the FASB deferred the effective date of the Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification until CLC's annual financial statements ending September 30, 2010.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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

Accounting for Uncertain Tax Provisions (Continued) - The determination of uncertain tax positions for financial statements prior to the implementation of this topic uses the tax judgments reported on CLC's tax returns, which are based on the requirements for tax filings under taxing authorities for the applicable year. These filings may be subject to amendment or change during an examination by the various taxing authorities, which has not been considered in the determination of CLC's tax assets or liabilities included in the financial statements. CLC does not expect the impact of adopting the Accounting for Uncertainty in Income Taxes Topic of the FASB Accounting Standards Codification on its financial statements to be material.

Fair Value of Measurements - CLC measures fair values and has disclosed such information regarding its assets and liabilities as required by the Fair Value Measurements Topic of the FASB Accounting Standards Codification. The changes to current practice resulting from the application of this statement relate to the definition of fair value, the methods used to measure fair value, and the expanded disclosures about fair value measurements. There was no material effect on the fiscal year 2009 financial statements from adopting this new accounting principle for financial assets and liabilities.

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.

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, 2009 and 2008 was \$767,333 and \$1,677,568, respectively. The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

- Level 1. Observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

Note 3. Investments (Continued)

The fair value of certificates of deposit is determined using level 2 inputs. These level 2 values were developed by discounting the future payments to present value at September 30, 2009, using current interest rates for similar maturity dates.

As of September 30, 2009 and 2008, investments consisted of the following at market value:

	2009	2008
Certificates of deposit	\$ 767,333	\$ 1,478,098
Debt securities	--	199,470
Totals	\$ 767,333	\$ 1,677,568

For the years ended September 30, 2009 and 2008 investment income consists of the following:

	2009	2008
Interest earned on cash and equivalents	\$ 57,724	\$ 44,874
Realized gains on investments	1,922	12,527
Unrealized gains (losses) on investments	2,843	(1,765)
Totals	\$ 62,489	\$ 55,636

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, 2009 and 2008, was \$777,087 and \$341,526, respectively.

Contributions receivable at September 30, 2009 and 2008, was \$51,875 and \$87,850, 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, 2009 and 2008, was \$53,513 and \$43,590, 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, 2009 and 2008, consist of the following:

	2009	2008
Goods and services	\$ 205,252	\$ 291,287
Salary equivalent	115,009	102,087
Totals	\$ 320,261	\$ 393,374

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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

	<u>2009</u>	<u>2008</u>
Computer equipment	\$ 212,149	\$ 186,651
Database software	42,281	29,031
Leasehold improvements	73,712	57,712
Office furniture	238,588	228,215
Telephone equipment	<u>49,635</u>	<u>49,122</u>
Total property and equipment	\$ 616,365	\$ 550,731
Less, accumulated depreciation and amortization	<u>(381,183)</u>	<u>(280,454)</u>
Net property and equipment	<u>\$ 235,182</u>	<u>\$ 270,277</u>

Depreciation and amortization expense for CLC is \$100,730 and \$103,632 for the years ended September 30, 2009 and 2008, 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, 2009 and 2008, total \$116,514 and \$83,706, 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. CLC advocates for our child clients in and out of court - with judges, social workers, schools and medical professionals - addressing the child's physical, emotional and intellectual well-being as well as their legal rights.

Family Permanency Project - CLC provides legal assistance to foster parents, grandparents, and other caregivers who wish to adopt or obtain guardianship or custody of children in DC's child welfare system. CLC recruits, trains, and mentors hundreds of pro bono attorneys from over 70 area law firms, allowing CLC to help even more of DC's children.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

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

Custody - Guardian Ad Litem Program - CLC and area pro bono attorneys represent children in complex custody cases, often involving domestic violence, allegations of abuse or high conflict between the parents. Effective October 1, 2009, this program will be incorporated into the Family Permanency Project and will no longer be reported as a separate program.

Health Access Project - A medical / legal collaboration between CLC and Children's National Medical Center (CNMC), CLC lawyers work from offices within CNMC Community Clinics to add lawyers to the multi-disciplinary team of medical experts. As part of the medical team, CLC's lawyers fight legal and administrative battles to improve a child's health, overcoming the effects of poverty and barriers to health care.

Policy - CLC draws on its expertise and experience from representing more than 1,000 children and caregivers each year in abuse and neglect, adoption, guardianship, custody, special education, health care, housing and public benefits matters. CLC uncovers and analyzes the systemic barriers facing at-risk children and work to change policies, regulations and laws to improve their safety and well-being. CLC also trains lawyers, psychiatrists, social workers, judges, foster parents and other community members on 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 and 2009 options have been exercised by the District of Columbia Superior Court. Revenue from the contracts in the amount of \$4,297,774 and \$3,823,748, recognized for the years ended September 30, 2009 and 2008, 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. CLC was awarded a new contract for the period October 1, 2009 through September 30, 2010, with options for two one-year extensions.

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.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2009 AND 2008

Note 10. Operating Leases (Continued)

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 Smith Barney to create a Pledged Account for the purpose of securing CLC's obligations under the lease. Morgan Stanley Smith Barney 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 \$238,960 and \$237,958 as of September 30, 2009 and 2008, respectively. In accordance with the terms of the lease, in November 2009 the amount of the pledge account was reduced to \$113,558 and the balance was returned to CLC's control.

At September 30, 2009, the future minimum base lease obligations are as follows:

Year Ending June 30,	Amount
2010	\$ 724,269
2011	742,376
2012	767,849
2013	793,959
2014	813,808
Thereafter	<u>2,405,632</u>
Total	<u>\$ 6,247,893</u>

Note 11. Temporarily Restricted Net Assets - As of September 30, 2009 and 2008, CLC's temporarily restricted net assets consist of the following:

	2009	2008
Health Access	\$ 156,623	\$ 119,098
Consortium	16,031	8,625
Policy	--	30,080
Exponent award	37,374	62,292
Time restricted	--	<u>56,250</u>
Totals	<u>\$ 210,028</u>	<u>\$ 276,345</u>



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January 12, 2010

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

We have audited the financial statements of The Children's Law Center, Inc. for the year ended September 30, 2009, and have issued our report thereon dated January 12, 2010. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated October 2, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated on October 2, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by The Children's Law Center, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated useful lives of property, equipment and leasehold improvements. We evaluated the key factors and assumptions used

to develop the useful service lives of property, equipment and leasehold improvements in determining that they were reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. No misstatements were detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 12, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of The Children's Law Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Squire, Lemkin + Company, LLP