



THE CHILDREN'S LAW CENTER, INC.

SEPTEMBER 30, 2011 AND 2010

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, 2011	4
Statement of Functional Expenses for the Year Ended September 30, 2010	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12



JOHN T SQUIRE CPA
SUSAN A LEMKIN CPA
CHRISTOPHER J MATHEWS CPA
BART J LANMAN CPA CFP®
CLINTON L LEHMAN CPA CMA CFM
ROBERT J KOPERA CPA

SQUIRE, LEMKIN + COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS
111 ROCKVILLE PIKE
SUITE 475
ROCKVILLE MARYLAND 20850
301 424 6800 TELEPHONE
301 424 6892 FACSIMILE
EMAIL SUPPORT@MYCPAS.COM
WWW.MYCPAS.COM

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, 2011 and 2010, and the related statements of activities, functional expenses 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, 2011 and 2010, 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 26, 2012

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

	SEPTEMBER 30,	
ASSETS	2011	2010
CURRENT ASSETS:		
Cash and equivalents	\$ 1,594,672	\$ 1,894,774
Cash and equivalents - restricted	113,891	113,751
Accounts receivable	1,631,780	880,161
Contributions and grants receivable	26,925	35,000
Annual event receivable	81,920	45,681
Prepaid expenses	124,857	127,297
Other current assets	500	649
TOTAL CURRENT ASSETS	\$ 3,574,545	\$ 3,097,313
OTHER ASSETS:		
Deposits	-	6,764
PROPERTY AND EQUIPMENT, NET	\$ 171,368	\$ 212,407
TOTAL ASSETS	\$ 3,745,913	\$ 3,316,484
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 191,616	\$ 204,686
Deferred revenue	5,000	-
TOTAL LIABILITIES	\$ 196,616	\$ 204,686
NET ASSETS:		
Unrestricted	\$ 3,354,333	\$ 2,882,275
Temporarily restricted	194,964	229,523
TOTAL NET ASSETS	\$ 3,549,297	\$ 3,111,798
TOTAL LIABILITIES AND NET ASSETS	\$ 3,745,913	\$ 3,316,484

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,

	2011			2010		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
REVENUE AND SUPPORT:						
D.C. court contract	\$ 4,829,286	\$ -	\$ 4,829,286	\$ 4,665,794	\$ -	\$ 4,665,794
Contributions	230,573	750	231,323	183,263	250	183,513
Donated goods and services	275,481	-	275,481	315,505	-	315,505
Grants	117,000	713,836	830,836	92,000	368,132	460,132
Legal fees	-	16,190	16,190	-	102,529	102,529
Investment income	2,812	-	2,812	5,709	-	5,709
Annual event net of \$62,617 and \$69,905 in expenses	582,492	-	582,492	503,905	-	503,905
Other income	37,661	8,575	46,236	-	10,250	10,250
Net assets released from restrictions	773,910	(773,910)	-	461,666	(461,666)	-
TOTAL REVENUE AND SUPPORT	<u>\$ 6,849,215</u>	<u>\$ (34,559)</u>	<u>\$ 6,814,656</u>	<u>\$ 6,227,842</u>	<u>\$ 19,495</u>	<u>\$ 6,247,337</u>
EXPENSES:						
Legal programs:						
Guardian Ad Litem	\$ 3,878,338	\$ -	\$ 3,878,338	\$ 3,803,793	\$ -	\$ 3,803,793
Family Permanency	621,041	-	621,041	636,509	-	636,509
Health Access	725,614	-	725,614	710,766	-	710,766
Policy	437,771	-	437,771	430,918	-	430,918
Consortium	7,255	-	7,255	13,732	-	13,732
TOTAL LEGAL PROGRAMS	<u>\$ 5,670,019</u>	<u>\$ -</u>	<u>\$ 5,670,019</u>	<u>\$ 5,595,718</u>	<u>\$ -</u>	<u>\$ 5,595,718</u>
Supporting services:						
General and administrative	\$ 340,521	\$ -	\$ 340,521	\$ 313,811	\$ -	\$ 313,811
Fundraising	366,617	-	366,617	309,016	-	309,016
TOTAL EXPENSES	<u>\$ 6,377,157</u>	<u>\$ -</u>	<u>\$ 6,377,157</u>	<u>\$ 6,218,545</u>	<u>\$ -</u>	<u>\$ 6,218,545</u>
CHANGE IN NET ASSETS	\$ 472,058	\$ (34,559)	\$ 437,499	\$ 9,297	\$ 19,495	\$ 28,792
NET ASSETS, BEGINNING OF YEAR	<u>2,882,275</u>	<u>229,523</u>	<u>3,111,798</u>	<u>2,872,978</u>	<u>210,028</u>	<u>3,083,006</u>
NET ASSETS, END OF YEAR	<u>\$ 3,354,333</u>	<u>\$ 194,964</u>	<u>\$ 3,549,297</u>	<u>\$ 2,882,275</u>	<u>\$ 229,523</u>	<u>\$ 3,111,798</u>

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, 2011

	Legal Programs						Supporting Services		
	Guardian Ad Litem	Family Permanency	Health Access	Policy	Consortium	Totals	General and Administrative	Fundraising	Total
Donated goods and services	\$ 107,371	\$ 17,583	\$ 18,536	\$ -	\$ -	\$ 143,490	\$ 29,136	\$ -	\$ 172,626
Donated salary	26,973	75,882	-	-	-	102,855	-	-	102,855
Compensation and benefits	2,786,205	386,414	537,461	351,935	7,100	4,069,115	217,246	261,494	4,547,855
Other events expense	4,869	797	841	-	-	6,507	33	2,601	9,141
Communications	42,576	6,007	9,119	3,549	-	61,251	1,919	2,636	65,806
Computer and telephone	40,821	6,030	6,899	3,640	-	57,390	2,724	9,801	69,915
Client costs	12,864	1,460	3,530	-	-	17,854	-	102	17,956
Cost of litigation	19,724	10,924	10,149	-	-	40,797	-	-	40,797
Depreciation	60,730	9,945	10,484	5,221	-	86,380	3,496	3,678	93,554
Amortization	5,947	1,063	1,148	3,156	-	11,314	370	1,947	13,631
Direct mail	-	-	-	-	-	-	-	9,374	9,374
Insurance	22,632	3,677	3,876	1,930	-	32,115	558	588	33,261
Legal library	14,848	2,165	4,043	1,136	-	22,192	69	2,234	24,495
Membership dues	11,164	1,244	2,319	1,075	-	15,802	891	414	17,107
Meetings	132	556	327	978	-	1,993	1,889	681	4,563
Office supplies	20,088	3,061	3,290	2,607	-	29,046	6,207	1,517	36,770
Postage	5,628	777	1,201	370	-	7,976	867	780	9,623
Printing and design	2,682	1,889	1,419	3,726	-	9,716	78	5,318	15,112
Professional development	60,930	1,563	4,423	11,353	-	78,269	12,310	8,304	98,883
Professional fees	15,028	1,937	1,998	948	-	19,911	20,470	1,557	41,938
Recruiting	1,192	126	271	2,168	-	3,757	4,085	18,314	26,156
Office rent	508,602	81,261	85,764	42,659	-	718,286	33,791	33,949	786,026
Staff costs	10,761	1,391	710	443	-	13,305	2,778	654	16,737
Transportation	96,571	5,289	17,806	877	155	120,698	1,604	674	122,976
TOTAL EXPENSES	\$ 3,878,338	\$ 621,041	\$ 725,614	\$ 437,771	\$ 7,255	\$ 5,670,019	\$ 340,521	\$ 366,617	\$ 6,377,157

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, 2010

	Legal Programs					Supporting Services			Total
	Guardian Ad Litem	Family Permanency	Health Access	Policy	Consortium	Totals	General and Administrative	Fundraising	
Donated goods and services	\$ 115,992	\$ 20,181	\$ 18,827	\$ -	\$ -	\$ 155,000	\$ 10,291	\$ -	\$ 165,291
Donated salary	-	121,494	14,360	14,360	-	150,214	-	-	150,214
Compensation and benefits	2,853,732	366,433	491,223	341,618	13,125	4,066,131	228,912	227,915	4,522,958
Other events expense	-	-	-	-	-	-	-	7,408	7,408
Communications	41,598	5,850	8,215	3,856	-	59,519	1,607	3,721	64,847
Computer and telephone	39,702	6,700	6,597	3,524	-	56,523	2,230	6,339	65,092
Client costs	13,175	2,761	2,059	-	-	17,995	-	-	17,995
Cost of litigation	13,159	3,121	15,616	-	-	31,896	-	-	31,896
Depreciation	55,998	9,743	9,089	5,442	-	80,272	3,569	3,171	87,012
Amortization	5,664	1,034	1,082	3,151	-	10,931	364	1,920	13,215
Direct mail	-	-	-	-	-	-	-	11,172	11,172
Insurance	20,662	3,595	3,354	2,008	-	29,619	1,495	1,328	32,442
Legal library	18,598	3,451	5,193	1,755	-	28,997	434	1,918	31,349
Membership dues	10,263	1,291	1,137	904	-	13,595	896	82	14,573
Meetings	249	160	228	205	393	1,235	1,965	206	3,406
Office supplies	11,604	1,929	1,813	1,059	-	16,405	1,971	759	19,135
Postage	4,157	801	1,117	334	-	6,409	661	1,791	8,861
Printing and design	3,520	525	1,065	5,893	-	11,003	355	4,318	15,676
Professional development	27,068	528	24,131	50	-	51,777	8,542	5,455	65,774
Professional fees	13,234	2,120	2,073	1,102	-	18,529	13,261	1,241	33,031
Recruiting	715	111	53	29	-	908	77	196	1,181
Office rent	456,687	79,413	74,021	44,316	-	654,437	33,488	29,318	717,243
Bad debt	-	-	12,798	-	-	12,798	-	-	12,798
Staff costs	6,776	875	566	290	-	8,507	3,280	554	12,341
Transportation	91,240	4,393	16,149	1,022	214	113,018	413	204	113,635
TOTAL EXPENSES	\$ 3,803,793	\$ 636,509	\$ 710,766	\$ 430,918	\$ 13,732	\$ 5,595,718	\$ 313,811	\$ 309,016	\$ 6,218,545

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,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 437,499	\$ 28,792
Reconciliation adjustments:		
Depreciation and amortization	107,185	100,227
Realized and unrealized loss on investments	-	2,333
Changes in assets and liabilities:		
Accounts receivable	(751,619)	(103,074)
Annual event receivable	(36,239)	7,832
Contributions and grants receivable	8,075	16,875
Prepaid expenses	2,440	(92,924)
Other current assets	149	10,507
Accounts payable and accrued expenses	(13,070)	155,737
Deferred Revenue	5,000	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	\$ (240,580)	\$ 126,305
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	\$ -	\$ 1,010,000
Purchase of investments	-	(245,000)
Payment of deposits	-	(10,402)
Return of deposits	6,764	10,538
Release from restriction - cash	(140)	125,441
Purchase of cash and equivalents - restricted	-	(232)
Purchases of property and equipment	(66,146)	(77,452)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	\$ (59,522)	\$ 812,893
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS	\$ (300,102)	\$ 939,198
CASH AND EQUIVALENTS, BEGINNING OF YEAR	1,894,774	955,576
CASH AND EQUIVALENTS, END OF YEAR	\$ 1,594,672	\$ 1,894,774

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

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

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). CLC 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, 2011 and 2010.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

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

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 greater than \$500 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 26, 2012, which is the date the financial statements were available to be issued.

Accounting for Uncertain Tax Provisions - CLC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to a non-profit organization's tax-exempt purpose is subject to taxation as unrelated business income. CLC did not have any unrelated business income as of for the years ended September 30, 2011 and 2010.

CLC complies with the provisions of Financial Accounting Standards Board Codification Topic *Accounting for Uncertainty in Income Taxes*, during the years ended September 30, 2011 and 2010. For the years ended September 30, 2011 and 2010, no unrecognized tax provision or benefit exists.

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 CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

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. 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. **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, 2011 and 2010, were \$1,631,780 and \$880,161, respectively.

Contributions receivable at September 30, 2011 and 2010, were \$26,925 and \$35,000, respectively, representing amounts receivable from 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, 2011 and 2010, was \$81,920 and \$45,681, respectively, representing unpaid pledges for the September event.

Note 4. **Donated Goods and Services** - CLC 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, 2011 and 2010, consists of the following:

	<u>2011</u>	<u>2010</u>
Goods and services	\$ 172,626	\$ 165,291
Salary equivalent	102,855	150,214
Totals	<u>\$ 275,481</u>	<u>\$ 315,505</u>

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

Note 5. **Property and Equipment** - CLC holds the following property and equipment as of September 30:

	<u>2011</u>	<u>2010</u>
Computer equipment	\$ 278,379	\$ 249,519
Database software	74,746	74,746
Leasehold improvements	83,271	73,712
Office furniture	264,429	245,863
Telephone equipment	<u>59,138</u>	<u>49,977</u>
Total property and equipment	\$ 759,963	\$ 693,817
Less, Accumulated depreciation and amortization	<u>(588,595)</u>	<u>(481,410)</u>
Net property and equipment	<u>\$ 171,368</u>	<u>\$ 212,407</u>

Note 6. **Retirement Plan** - CLC 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, 2011 and 2010, total \$92,688 and \$109,774, respectively.

Note 7. **Program Activities** - CLC 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. 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.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

Note 7. **Program Activities (Continued)**

Health Access Project – CLC has medical/legal collaborations with Children's National Medical Center (CNMC) and Mary's Center (MC). CLC lawyers work from offices within CNMC and MC 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 1,200 children and caregivers each year in abuse and neglect, adoption, guardianship, custody, special education, health care, housing and public benefits matters to uncover and analyze 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 8. **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, 2009 through September 30, 2010, with options for two one-year extensions. Revenue from the contracts in the amount of \$4,829,286 and \$4,665,794 was recognized for the years ended September 30, 2011 and 2010, respectively. This represents 71% and 75%, respectively, of CLC's revenues at September 30, 2011 and 2010. However, management does not consider this to be a significant concentration of credit risk due to the District of Columbia's statutory requirement to provide these services. Under the contract, CLC is provided with the use of two copiers without charge for the term of the contract.

Note 9. **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.

CLC is obligated to provide for a security deposit in the amount of \$226,953 under the terms of the lease of which fifty percent is required to be secured. 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 invests 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 \$113,891 and \$113,751 as of September 30, 2011 and 2010, respectively.

THE CHILDREN'S LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2011 AND 2010

Note 9. **Operating Leases** (Continued)

At September 30, 2011, the future minimum base lease obligations are as follows:

Year Ending September 30,	Amount
2012	\$ 767,849
2013	793,959
2014	813,808
2015	834,153
Thereafter	1,287,788
Total	\$ 4,497,557

Note 10. **Temporarily Restricted Net Assets** - As of September 30, 2011 and 2010, CLC's temporarily purpose restricted net assets consist of the following:

	2011	2010
Health Access	\$ 142,558	\$ 146,678
Consortium	14,369	12,799
MESH Charities - Client emergency supplies	--	10,000
Family Permanency Project	--	35,000
Guardian Ad Litem	6,695	--
Policy	25,650	--
Other	5,692	--
Exponent award	--	25,046
Totals	\$ 194,964	\$ 229,523

Net assets of \$773,910 and \$461,666 were released from donor restriction by incurring expenses satisfying the purposes specified by the donor during the years ended September 30, 2011 and 2010, respectively.

Note 11. **Related Party Transaction** - Children's Law Center paid \$9,656 and \$2,442 in the years ended September 30, 2011 and 2010, respectively, for printing services at a print shop that is owned by a member of their board of directors. The fee charged for the services is comparable to amounts charged by other print shops.