THE CHILDREN'S LAW CENTER, INC.
& SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 AND 2015

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Independent Auditors' Report

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

We have audited the accompanying consolidated financial statements of **The Children's Law Center, Inc.** (a nonprofit organization) **& Subsidiary** (collectively referred to as the "Center"), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **The Children's Law Center, Inc. & Subsidiary** as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Pue, Chick, Leibowitz + Blezard, LLC

Certified Public Accountants

Vernon, Connecticut
March 28, 2017

THE CHILDREN'S LAW CENTER, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

ASSETS

	2016	2015
CURRENT ASSETS		
Cash and cash equivalents	$ 340,568	$ 335,423
Investments, at fair value	638,403	606,007
Contributions and grants receivable	251,186	292,129
Prepaid expenses	5,627	8,070
Total Current Assets	1,235,784	1,241,629
FIXED ASSETS, net of accumulated depreciation	6,668	10,435
OTHER ASSET		
Long-term grants receivable	-	20,967
TOTAL ASSETS	$ 1,242,452	$ 1,273,031

LIABILITIES AND NET ASSETS

	2016	2015
CURRENT LIABILITIES		
Accounts payable	$ 5,682	$ 20,962
Accrued payroll	13,499	12,230
Pension payable	4,110	4,784
Deferred revenue	117,878	97,890
Total Current Liabilities/Total Liabilities	141,169	135,866
NET ASSETS		
Unrestricted		
General	223,580	228,716
Nest-egg fund - board designated	638,403	606,007
Fixed assets	6,668	10,435
Total unrestricted net assets	868,651	845,158
Temporarily restricted net assets	232,632	292,007
Total Net Assets	1,101,283	1,137,165
TOTAL LIABILITIES AND NET ASSETS	$ 1,242,452	$ 1,273,031

See accompanying notes to the consolidated financial statements

THE CHILDREN'S LAW CENTER, INC. & SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, SUPPORT AND OTHER INCOME						
Grants	$ 387,740	$ 251,674	$ 639,414	$ 344,362	$ 235,049	$ 579,411
Fees	197,322		197,322	298,155		298,155
Special events	129,821	-	129,821	151,884	-	151,884
Individual contributions	41,395	-	41,395	40,488	-	40,488
Interest and dividend income	11,719	-	11,719	11,217	-	11,217
Corporate/community contributions	9,050	-	9,050	3,120	-	3,120
Rebuilding families	8,107	-	8,107	3,112	-	3,112
Investment gains/(losses), net	17,257	-	17,257	(21,434)	-	(21,434)
Net assets released from restrictions	311,049	(311,049)	-	297,994	(297,994)	-
Total Revenue, Support and Other Income	1,113,460	(59,375)	1,054,085	1,128,898	(62,945)	1,065,953
EXPENSES						
Program services	780,537	-	780,537	961,553	-	961,553
Fundraising	174,646	-	174,646	132,689	-	132,689
Management and general	134,784	-	134,784	113,554	-	113,554
Total Expenses	1,089,967	-	1,089,967	1,207,796	-	1,207,796
CHANGE IN NET ASSETS	23,493	(59,375)	(35,882)	(78,898)	(62,945)	(141,843)
NET ASSETS						
Beginning of year	845,158	292,007	1,137,165	924,056	354,952	1,279,008
End of year	$ 868,651	$ 232,632	$ 1,101,283	$ 845,158	$ 292,007	$ 1,137,165

See accompanying notes to the consolidated financial statements

THE CHILDREN'S LAW CENTER, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016				2015			
	Program Services	Fund Raising	Management and General	Total	Program Services	Fund Raising	Management and General	Total
Payroll	$ 523,844	$ 114,815	$ 78,935	$ 717,594	$ 681,505	$ 76,872	$ 38,054	$ 796,431
Employee benefits	47,217	10,349	7,115	64,681	77,290	6,929	4,620	88,839
Payroll taxes	40,543	8,886	6,110	55,539	54,780	7,367	818	62,965
Rent	45,711	2,009	2,512	50,232	37,614	2,351	7,053	47,018
Consulting	10,000	-	36,000	46,000	-	-	39,103	39,103
Fundraising, marketing and special events	-	36,050	-	36,050	-	35,094	-	35,094
Depreciation	3,767	-	-	3,767	5,472	-	-	5,472
Utilities	12,069	531	663	13,263	9,606	801	2,401	12,808
Office	11,791	518	648	12,957	15,072	848	5,615	21,535
Travel	19,624	-	-	19,624	24,065	-	-	24,065
Telephone	8,996	395	494	9,885	6,890	928	2,782	10,600
Training	6,520	-	-	6,520	9,999	-	-	9,999
Dues, subscription, and fees	11,257	-	-	11,257	14,677	-	-	14,677
Computer	13,736	604	755	15,095	6,024	1,390	4,170	11,584
Insurance	9,492	-	500	9,992	8,129	-	1,323	9,452
Accounting	5,795	-	716	6,511	2,332	-	6,639	8,971
Printing and postage	2,233	489	336	3,058	925	109	976	2,010
Rebuilding families	7,942	-	-	7,942	4,922	-	-	4,922
Miscellaneous	-	-	-	-	2,251	-	-	2,251
Total Functional Expenses	$ 780,537	$ 174,646	$ 134,784	$ 1,089,967	$ 961,553	$ 132,689	$ 113,554	$ 1,207,796

See accompanying notes to the consolidated financial statements

THE CHILDREN'S LAW CENTER, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (35,882)	$ (141,843)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,767	5,472
Realized and unrealized (gain)/loss on investments	(23,209)	15,454
Decrease (increase) in:		
Contributions and grants receivable	61,910	148,543
Prepaid expenses	2,443	1,148
Increase (decrease) in:		
Accounts payable	(15,280)	12,741
Accrued payroll	1,269	3,733
Pension payable	(674)	827
Deferred revenue	19,988	66,772
Total adjustments	50,214	254,690
Net cash provided by operating activities	14,332	112,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(4,100)
Cash received from sale of investments	300,911	312,234
Purchase of investments	(310,098)	(316,887)
Net cash used in investing activities	(9,187)	(8,753)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	5,145	104,094
CASH AND CASH EQUIVALENTS		
Beginning of year	335,423	231,329
End of year	$ 340,568	$ 335,423

See accompanying notes to the consolidated financial statements

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a) **Nature of Operations**

The Children's Law Center, Inc. (the "Center") is a Connecticut non-stock corporation formed in 1993. The purpose of the Center is to provide vulnerable children with experienced legal representation in family matters where there are allegations of abuse, neglect, drug and/or alcohol dependency, domestic violence or chronic conflict. The Center currently represents children in the Superior Courts of Hartford, Bridgeport, Windham, New Britain, New Haven, Rockville, Stamford, and Waterbury.

On September 17, 2013, the Center formed a wholly owned limited liability company, Rebuilding Families, LLC (the "LLC") to administer drug tests for the legal representation program.

The consolidated financial statements include the accounts of The Children's Law Center, Inc. and Rebuilding Families, LLC. All intercompany transactions and balances have been eliminated.

b) **Basis of Accounting**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred.

c) **Classification of Net Assets**

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Net assets may be designated for specific purposes by actions of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

Temporarily restricted net assets – Net assets whose use by the Center is subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets whose time or purpose restrictions are met in the same year are reported as unrestricted net assets.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on any related investments for general or specific purposes. During the years ended December 31, 2016 and 2015, the Center did not receive any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

d) **Cash and cash equivalents**

All short-term, highly liquid investments with original maturities of three months or less are considered cash equivalents, except for board restricted investments that function as endowment.

e) **Contributions and Grants Receivable**

Contributions, including unconditional promises to give and nonexchange grant awards, are recognized as revenues in the period the commitment is received. Contributions received with donor-imposed restrictions are reported as permanently or temporarily restricted revenues depending upon the specific restriction. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a risk-free rate appropriate for the expected payment term. Amortization of the discount is recorded as contribution revenue in the appropriate net asset category. Management periodically evaluates the collectability of receivables and creates an allowance for any accounts deemed uncollectible.

f) **Investments**

Investments are carried at fair value. The fair value of securities traded on a national securities exchange is determined at the last reported sale price on the last business day of the Center's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices. The fair value of mutual fund units owned by the Center is based on quoted redemption value on the last business day of the Center's year.

g) **Fixed Assets**

Property and equipment are stated at cost, except for contributed property and equipment, which is recorded at fair value at the date of gift. Depreciation is charged to expense using the straight-line method over three, five, or seven years. Maintenance and repairs are charged to expense as incurred. Expenditures which substantially increase the useful lives of the related assets are capitalized.

h) **Revenue from Service Contracts**

The Center recognizes revenue on service contracts ratably over applicable contract periods or as services are performed. Amounts billed and collected before the services are performed are included in deferred revenues.

i) **Income Taxes**

The Center is a nonprofit organization formed under Section 501(c)(3) of the Internal Revenue Code (IRC), which exempts the Center from federal income taxes. The Center is required to operate in conformity with the IRC to maintain its tax-exempt status. The Center's management is not aware of any course of action or series of events that have occurred that might adversely affect the Center's tax-exempt status.

1) **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - Continued

i) **Income Taxes** - Continued

Management of the Center evaluates all significant tax positions as required by U.S. GAAP. As of December 31, 2016 and 2015, management does not believe that it has taken any tax position that would require the recording of any additional tax liability nor does it believe that there are any unrealized tax benefits that would either increase or decrease within the next twelve months. The Center's income tax returns are subject to examination by the appropriate taxing jurisdiction. As of December 31, 2016 and 2015, the Center's federal and state returns generally remain open for examination for three years after the date filed.

j) **Estimates**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

k) **Reclassifications**

Certain reclassifications have been made to the December 31, 2015 financial statements to conform to the December 31, 2016 financial statement presentation.

l) **Subsequent Events**

In preparing these consolidated financial statements, management of the Center has evaluated subsequent events through March 28, 2017, which represents the date the consolidated financial statements were available to be issued.

2) **INVESTMENTS**

The Center's investments are recorded at fair value and are comprised of the following at December 31:

	2016	2015
Money market fund	$ 127,723	$ 126,022
Equities	326,645	305,372
Mutual funds	184,035	174,613
Total Investments	$ 638,403	$ 606,007

The net gain (loss) on investments and total investment return is as follows for the years ended December 31:

	2016	2015
Unrealized gain/(loss)	$ 25,234	$ (33,803)
Realized (loss)/gain	(2,025)	18,349
Management fees	(5,952)	(5,980)
Net gain/(loss)	17,257	(21,434)
Interest and dividends	11,719	10,633
Total investment return	$ 28,976	$ (10,801)

3) **FAIR VALUE MEASUREMENTS**

In accordance with U.S. GAAP, management classifies its investments in Level 1, which refers to securities valued using quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. As of December 31, 2016 and 2015, total investments of $638,403 and $606,007, respectively, were classified as Level 1 investments.

4) **FIXED ASSETS**

The components of fixed assets are as follows at December 31:

	2016	2015
Leasehold improvements	$ 13,555	$ 13,555
Software	22,327	22,327
Computer and office equipment	74,087	74,087
	109,969	109,969
Less: accumulated depreciation	103,301	99,534
Fixed assets, net	$ 6,668	$ 10,435

Depreciation expense for the years ended December 31, 2016 and 2015 was $3,767 and $5,472, respectively.

5) **NET ASSETS**

Net assets have been designated by the board of directors to function as endowment funds, with the investment return thereon used to supplement operations. Operating advances and repayments are shown net in the changes for the years. Endowment net asset composition by type of fund is as follows as of:

December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated fund	$ 638,403	$ -	$ -	$ 638,403
Total Funds	$ 638,403	$ -	$ -	$ 638,403

5) **NET ASSETS** - Continued

December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Board designated fund	$ 606,007	$ -	$ -	$ 606,007
Total Funds	$ 606,007	$ -	$ -	$ 606,007

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 606,007	$ -	$ -	$ 606,007
Contributions	3,420			3,420
Total investment return	28,976	-	-	28,976
Endowment net assets, end of year	$ 638,403	$ -	$ -	$ 638,403

Changes in endowment net assets for the year ended December 31, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 616,808	$ -	$ -	$ 616,808
Total investment return	(10,801)	-	-	(10,801)
Endowment net assets, end of year	$ 606,007	$ -	$ -	$ 606,007

Temporarily restricted net assets, all of which are time restricted, are comprised of the following at December 31:

	2016	2015
Interest on Lawyer Trust Accounts	$ 24,018	$ 27,909
Judicial Branch Grant-in-Aid	18,969	10,236
Court Fees Grant-in-Aid	157,645	148,854
United Way	12,000	15,050
Hartford Foundation for Public Giving	20,000	56,958
Community Chest of New Britain and Berlin	-	15,000
J. Walton Bissell Foundation	-	15,000
CT Community Foundation	-	3,000
	$ 232,632	$ 292,007

6) CONTRIBUTIONS AND GRANTS RECEIVABLE

At December 31, 2016 and 2015, the Center had $251,186 and $292,129, respectively, of grants and contributions receivable which will be received within one year and $-0- and $20,967, respectively, of grants and contributions receivable which will be received in two to five years. Total amounts expected as of December 31, 2016 and 2015 are $251,186 and $313,707, respectively, which have been discounted by $-0- and $611, respectively, using a rate of 3%. Center management has not recorded an allowance for uncollectible receivables at December 31, 2016 and 2015, because all amounts are deemed to be collectible.

7) COMMITMENTS AND CONTINGENCIES

Grants require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of the funds to grantors. Although that is a possibility, management deems the contingency remote for operating grants, since by accepting the grant and its terms, it has accommodated the objectives of the Center to the provisions of the grant.

8) LEASES

The Center leases its office facility in Hartford, Connecticut for a five year period through February 2017. The lease requires monthly rental payments of $3,576 with annual inflation adjustments.

Effective March 1, 2017, the Center extended the lease agreement for its office facility and storage space for an additional five year period through February 2022. The leases for the office facility and storage space require monthly payments of $3,034 and $138, respectively, with annual inflation adjustments. Rent expense for the years ended December 31, 2016 and 2015 was $50,232 and $47,018, respectively.

Future minimum lease payments under these operating leases for the next five years and thereafter are as follows for the years ending December 31:

2017	$ 39,401
2018	40,804
2019	42,387
2020	43,658
2021	44,968
Thereafter	7,531
Total	$ 218,749

9) CONCENTRATIONS

The Center maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on its bank deposits. Uninsured balances totaled $72,103 and $52,281at December 31, 2016 and 2015, respectively.

During the years ended December 31, 2016 and 2015, the Center received approximately 49% and 56%, respectively, of its revenue from the State of Connecticut. At December 31, 2016 and 2015, approximately 80% and 60%, respectively, of the Center's grants and contributions receivable is from the State of Connecticut.

10) **PENSION PLAN**

The Center has a 403(b) defined contribution pension plan covering all eligible employees. Employees are eligible upon commencement of employment. The plan allows for contributions up to IRS limitations. The Center in its sole discretion can elect each year to make a matching contribution. The Center elected to match 1% of eligible compensation in 2016 and 2015, not to exceed employee deferrals. The Center's match for the years ended December 31, 2016 and 2015 was $4,110 and $4,784, respectively.

11) **WHOLLY OWNED SUBSIDIARY**

The activity of Rebuilding Families, LLC is included in the accompanying consolidated financial statements. The activity is as follows for the years ended December 31:

	2016	2015
Asset:		
Cash	$ 9,828	$ 7,899
Liabilities:		
Due to Children's Law Center	14,792	9,272
Accounts payable	77	3,833
Total Liabilities	14,869	13,105
Net Assets	(5,041)	(5,206)
Total Liabilities and Net Assets	$ 9,828	$ 7,899
Revenue	$ 8,107	$ 3,112
Expenses	7,942	4,952
Change in Net Assets	$ 165	$ (1,840)