THE CHILDREN'S LAW CENTER, INC. & SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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Contents

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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, 2018 and 2017, 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.

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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, 2018 and 2017, 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.

Emphasis of Matter

As discussed in Note 1(b) to the consolidated financial statements, in 2018, the Center adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Certified Public Accountants

Vernon, Connecticut
April 15, 2019

THE CHILDREN'S LAW CENTER, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 288,178	$ 330,557
Investments, at fair value	669,062	711,972
Contributions and grants receivable	220,650	232,460
Prepaid expenses	3,234	3,020
Total Current Assets	1,181,124	1,278,009
PROPERTY AND EQUIPMENT, net of accumulated depreciation	15,119	10,141
TOTAL ASSETS	$ 1,196,243	$ 1,288,150

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 11,925	$ 13,007
Accrued payroll	15,817	12,863
Pension payable	4,073	3,351
Deferred revenue	135,063	146,728
Total Current Liabilities/Total Liabilities	166,878	175,949
NET ASSETS		
Without donor restrictions:		
General	123,434	157,628
Nest-egg fund - board designated	669,062	711,972
Property and equipment	15,119	10,141
Total without donor restrictions	807,615	879,741
With donor restrictions	221,750	232,460
Total Net Assets	1,029,365	1,112,201
TOTAL LIABILITIES AND NET ASSETS	$ 1,196,243	$ 1,288,150

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, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND OTHER INCOME						
Grants	$ 416,393	$ 217,053	$ 633,446	$ 400,595	$ 221,717	$ 622,312
Fees	280,238	-	280,238	228,933	-	228,933
Special events	150,779	4,697	155,476	146,182	-	146,182
Individual contributions	33,893	-	33,893	39,078	-	39,078
Corporate/community contributions	12,580	-	12,580	3,030	-	3,030
Rebuilding families	5,892	-	5,892	6,911	-	6,911
Interest and dividend income	15,946	-	15,946	17,664	-	17,664
Investment gains/(losses), net	(62,127)	-	(62,127)	52,856	-	52,856
Net assets released from restrictions	232,460	(232,460)	-	221,889	(221,889)	-
Total Revenue, Support and Other Income	1,086,054	(10,710)	1,075,344	1,117,138	(172)	1,116,966
EXPENSES						
Program services	882,117	-	882,117	809,682	-	809,682
Fundraising	206,182	-	206,182	179,070	-	179,070
Management and general	69,881	-	69,881	117,296	-	117,296
Total Expenses	1,158,180	-	1,158,180	1,106,048	-	1,106,048
CHANGE IN NET ASSETS	(72,126)	(10,710)	(82,836)	11,090	(172)	10,918
NET ASSETS						
Beginning of year	879,741	232,460	1,112,201	868,651	232,632	1,101,283
End of year	$ 807,615	$ 221,750	$ 1,029,365	$ 879,741	$ 232,460	$ 1,112,201

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, 2018 AND 2017

	2018				2017			
	Program Services	Fund Raising	Management and General	Total	Program Services	Fund Raising	Management and General	Total
Payroll	$ 579,872	$ 120,493	$ 52,716	$ 753,081	$ 514,337	$ 109,725	$ 61,720	$ 685,782
Employee benefits	48,525	10,083	4,411	63,019	56,953	12,150	6,834	75,937
Payroll taxes	45,436	9,441	4,131	59,008	40,361	8,610	4,844	53,815
Rent	40,616	1,785	2,232	44,633	41,657	1,831	2,289	45,777
Consulting	55,930	11,820	2,035	69,785	29,766	323	37,181	67,270
Fundraising, marketing and special events	-	49,958	-	49,958	-	43,587	-	43,587
Depreciation	3,654	-	-	3,654	4,195	-	-	4,195
Utilities	7,429	323	323	8,075	12,285	540	675	13,500
Office	12,730	560	699	13,989	12,929	568	710	14,207
Travel	15,766	328	328	16,422	17,466	176	-	17,642
Telephone	8,197	360	450	9,007	8,831	388	485	9,704
Training	4,187	-	-	4,187	5,490	-	-	5,490
Dues, subscriptions, and fees	11,001	-	-	11,001	12,850	-	-	12,850
Computer	22,759	989	989	24,737	24,904	1,083	1,083	27,070
Insurance	8,780	-	592	9,372	9,004	-	500	9,504
Accounting	9,009	-	891	9,900	8,736	-	864	9,600
Printing and postage	1,984	42	84	2,110	2,019	89	111	2,219
Rebuilding families	6,242	-	-	6,242	7,899	-	-	7,899
Total Functional Expenses	$ 882,117	$ 206,182	$ 69,881	$ 1,158,180	$ 809,682	$ 179,070	$ 117,296	$ 1,106,048

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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (82,836)	$ 10,918
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	3,654	4,195
Unrealized and realized loss (gain) on investments	52,865	(20,345)
(Increase) decrease in:		
Contributions and grants receivable	11,810	18,726
Prepaid expenses	(214)	2,607
Increase (decrease) in:		
Accounts payable	(1,082)	7,325
Accrued payroll	2,954	(636)
Pension payable	722	(759)
Deferred revenue	(11,665)	28,850
Total adjustments	59,044	39,963
Net cash (used in) provided by operating activities	(23,792)	50,881
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(8,632)	(7,668)
Proceeds from sales of investments	316,943	481,945
Purchase of investments	(326,898)	(535,169)
Net cash used in investing activities	(18,587)	(60,892)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(42,379)	(10,011)
CASH AND CASH EQUIVALENTS		
Beginning of year	330,557	340,568
End of year	$ 288,178	$ 330,557

See accompanying notes to the consolidated financial statements

THE CHILDREN'S LAW CENTER, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

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, Putnam, New Britain, New Haven, Rockville, Stamford, Litchfield/Torrington, Danbury, Middletown, Milford, Meriden, Norwich, 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.

   b) **Change in Accounting Principle**

   In August 2016, the Financial Standards Accounting Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities.* The Center has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standards change the following aspects of the Center's financial statements:

   - The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
   - The unrestricted net asset class has been renamed net assets without donor restrictions.
   - The financial statements include a new disclosure concerning the liquidity and availability of financial resources (Note 8).
   - Presentation of investment return net of external and direct expenses.

   c) **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.

   d) **Principles of Consolidation**

   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.

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

e) **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:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Center. The Center's Board of Directors may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

f) **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.

g) **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 endowments.

h) **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, which have donor restrictions expiring in the current year, are reported as increases in net assets without donor restrictions. All other contributions received which have donor restrictions are reported as increases in net assets with donor restrictions. 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. As of December 31, 2018 and 2017, there was no allowance for uncollectible accounts.

i) **Investments**

Investments are reported 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 ask 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.

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

j) **Property and Equipment**

Property and equipment are stated at cost, except for contributed property and equipment, which is recorded at fair value at the date of gift. It is the Center's policy to capitalize such assets whose cost or fair value is greater than $1,000. 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.

k) **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 revenue.

l) **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.

Management of the Center evaluates all significant tax positions as required by U.S. GAAP. As of December 31, 2018 and 2017, 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, 2018 and 2017, the Center's federal and state returns generally remain open for examination for three years after the date filed.

m) **Functional Allocation of Expenses**

The costs of supporting programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among program services and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include rent and utilities, which are allocated on a square-footage basis, as well as salaries, payroll taxes, benefits, consulting and other expenses, which are allocated on the basis of time and effort.

n) **Reclassifications**

Certain reclassifications have been made to the December 31, 2017 financial statements to conform to the December 31, 2018 financial statement presentation.

o) **Subsequent Events**

In preparing these consolidated financial statements, management of the Center has evaluated subsequent events through April 15, 2019, 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:

	2018	2017
Money market fund	$ 94,795	$ 99,723
Equities	346,179	375,558
Mutual funds	228,088	236,691
Total Investments	$ 669,062	$ 711,972

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

	2018	2017
Unrealized (loss)/gain	$ (62,958)	$ 20,345
Realized gain	10,094	40,726
Management fees	(9,263)	(8,215)
Net (loss)/gain	(62,127)	52,856
Interest and dividends	15,613	17,186
Total investment (loss)/return	$ (46,514)	$ 70,042

3) FAIR VALUE MEASUREMENTS

In accordance with U.S. GAAP, management classifies its investments as 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, 2018 and 2017, total investments of $669,062 and $711,972, respectively, were classified as Level 1 investments (as disclosed in Note 2).

4) PROPERTY AND EQUIPMENT

The components of property and equipment are as follows at December 31:

		2018		2017
Leasehold improvements	$	13,555	$	13,555
Software		15,600		22,327
Computer and office equipment		69,072		81,755
		98,227		117,637
Less: accumulated depreciation		83,108		107,496
Property and equipment, net	$	15,119	$	10,141

Depreciation expense for the years ended December 31, 2018 and 2017 was $3,654 and $4,195, respectively.

5) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or period at December 31:

		2018		2017
Subject to the passage of time (for periods after December 31, 2018 and 2017, respectively):				
Interest on Lawyer Trust Accounts	$	37,664	$	23,807
Judicial Branch Grant-in-Aid		17,485		23,681
Court Fees Grant-in-Aid		161,904		163,972
Hartford Foundation for Public Giving		-		6,000
Community Foundation of Greater New Britain		-		15,000
Pledges receivable		3,597		-
		220,650		232,460
Subject to spending policy and appropriation:				
Investment in perpetuity				
Any activities of the Center		1,100		-
Total net assets with donor restrictions	$	221,750	$	232,460

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors as follows for the years ended December 31:

		2018		2017
Expiration of time restrictions:				
Passage of specified time	$	232,460	$	221,889

6) **ENDOWMENT**

The Center's endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Center is subject to the Connecticut Uniform Prudent Management of Institutional Funds Act (CTUPMIFA). The Board of Directors of the Center has interpreted CTUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Center classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Center has interpreted CTUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with CTUPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1) The duration and preservation of the fund
2) The purposes of the Center and the donor-restricted endowment fund
3) General economic conditions
4) The possible effect of inflation and deflation
5) The expected total return from income and appreciation of investments
6) Other resources of the Center
7) The investment policies of the Center

Underwater Endowment Funds - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CTUPMIFA requires the Center to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

Investment Return Objectives, Risk Parameters and Strategies - The Center has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and stable source of liquidity and financial support for the mission of the Center while seeking to preserve and enhance the long-term real purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Center expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Center targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy - The Center is in the process of establishing its donor restricted endowment fund. As a result, no appropriations for distributions are being made.

6) **ENDOWMENT** - Continued

The endowment net asset composition by type of fund is as follows as of December 31:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 669,062	$ -	$ 669,062
Donor-restricted endowment funds	-	1,100	1,100
Total funds	$ 669,062	$ 1,100	$ 670,162

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 711,972	$ -	$ 711,972
Donor-restricted endowment funds	-	-	-
Total funds	$ 711,972	$ -	$ 711,972

Changes in endowment net assets are as follows for the years ended December 31:

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 711,972	$ -	$ 711,972
Investment return, net	(46,514)	-	(46,514)
Contributions	3,604	1,100	4,704
Endowment net assets, end of year	$ 669,062	$ 1,100	$ 670,162

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 638,403	$	$ 638,403
Investment return, net	70,042	-	70,042
Contributions	3,527	-	3,527
Endowment net assets, end of year	$ 711,972	$ -	$ 711,972

7) **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 2018 and 2017, not to exceed employee deferrals. The Center's match for the years ended December 31, 2018 and 2017 was $4,073 and $3,351, respectively.

8) LIQUIDITY AND AVAILABILITY

The Center's financial assets available within one year of the statement of financial position date for general expenditures are as follows as of December 31, 2018:

Cash and cash equivalents	$	288,178
Investments		669,062
Contributions and grants receivable		220,650
Total financial assets		1,177,890
Less:		
Amounts unavailable for expenditures within one year due to:		
Donor-restricted endowment included in cash and cash equivalents		1,100
Board-designated endowment		669,062
		670,162
Total financial assets available within one year	$	507,728

Management monitors levels of available financial assets to anticipate cash requirements for general expenditures as obligations come due. In addition, as part of its liquidity management, the Center invests cash in excess of daily requirements in various short-term investments, including money market accounts. The Center also has board designated net assets without donor restrictions that could, upon vote by the Board of Directors, be made available for current operations in the event of a liquidity need.

9) 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.

10) LEASES

The Center leased its office facility in Hartford, Connecticut for a five-year period through February 2017. The lease required 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. Rent expense for the years ended December 31, 2018 and 2017 was $44,633 and $45,777, respectively.

Future minimum lease payments under these operating leases for the remaining lease term are as follows for the years ending December 31:

2019	$	42,387
2020		43,658
2021		44,968
2022		7,531
Total	$	138,544

11) 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 $-0- and $75,349 at December 31, 2018 and 2017, respectively.

During the years ended December 31, 2018 and 2017, the Center received approximately 51% and 48%, respectively, of its revenue from the State of Connecticut. At December 31, 2018 and 2017, approximately 97% and 91%, respectively, of the Center's grants and contributions receivable is from the State of Connecticut.

12) 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:

	2018	2017
Assets:		
Cash	$ 11,742	$ 11,792
Liabilities:		
Due to Children's Law Center, Inc.	18,089	17,821
Accounts payable	32	-
Total Liabilities	18,121	17,821
Net Assets	(6,379)	(6,029)
Total Liabilities and Net Assets	$ 11,742	$ 11,792
Revenues	$ 5,892	$ 6,911
Expenses	6,242	7,899
Change in Net Assets	$ (350)	$ (988)

The Due to Children's Law Center, Inc. line included in the summarized activity above was eliminated upon consolidation.