THE CHILDREN'S LAW CENTER, INC.
& SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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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

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Children's Law Center, Inc. & Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's Law Center, Inc. & Subsidiary's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1(c) to the consolidated financial statements, during the year ended December 31, 2022, The Children's Law Center, Inc. & Subsidiary adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, and the related amendments. Our conclusion is not modified with respect to this matter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Children's Law Center, Inc. & Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Children's Law Center, Inc. & Subsidiary's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Fiore, Chick, Leibowitz + Blagriff, LLC

Certified Public Accountants

Vernon, Connecticut
September 20, 2023

THE CHILDREN'S LAW CENTER, INC. & SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 307,316	$ 453,858
Investments, at fair value	736,903	867,481
Contributions and grants receivable	564,727	255,061
Prepaid expenses	4,860	5,429
Total Current Assets	1,613,806	1,581,829
PROPERTY AND EQUIPMENT, net of accumulated depreciation	23,041	27,968
OTHER ASSETS		
Operating lease right-of-use assets	96,513	-
TOTAL ASSETS	$ 1,733,360	$ 1,609,797

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Current portion of operating lease liabilities	$ 29,487	$ -
Accounts payable	17,473	8,036
Accrued payroll	29,762	31,623
Accrued interest	10,719	6,724
Pension payable	4,512	4,670
Deferred revenue	9,032	11,877
Refundable advance	51,150	36,500
Total Current Liabilities	152,135	99,430
LONG-TERM LIABILITIES		
Long-term debt, net of current maturities	150,000	150,000
Long-term operating lease liabilities, net of current portion	68,452	-
Total Long-Term Liabilities	218,452	150,000
Total Liabilities	370,587	249,430
NET ASSETS		
Without donor restrictions:		
General	301,358	208,757
Nest-egg fund - board designated	736,903	867,481
Property and equipment	23,041	27,968
Total without donor restrictions	1,061,302	1,104,206
With donor restrictions	301,471	256,161
Total Net Assets	1,362,773	1,360,367
TOTAL LIABILITIES AND NET ASSETS	$ 1,733,360	$ 1,609,797

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, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT AND OTHER INCOME						
Grants	$ 540,969	$ 299,500	$ 840,469	$ 472,757	$ 241,626	$ 714,383
Fees - nonexchange	247,564	871	248,435	205,000	7,235	212,235
Fees - exchange	121,636	-	121,636	78,494	-	78,494
Special events	117,119	-	117,119	109,391	4,200	113,591
Individual contributions	32,985	-	32,985	39,423	2,000	41,423
Corporate/community contributions	1,730	-	1,730	2,321	-	2,321
Rebuilding families	9,375	-	9,375	9,936	-	9,936
Collaborative Family Law	-	-	-	4,000	-	4,000
Interest and dividend income	19,651	-	19,651	20,849	-	20,849
Investment (losses) gains, net	(153,254)	-	(153,254)	65,661	-	65,661
Net assets released from restrictions	255,061	(255,061)	-	218,365	(218,365)	-
Total Revenue, Support and Other Income	1,192,836	45,310	1,238,146	1,226,197	36,696	1,262,893
EXPENSES						
Program services	952,089	-	952,089	896,607	-	896,607
Fundraising	177,467	-	177,467	177,545	-	177,545
Management and general	106,184	-	106,184	93,662	-	93,662
Total Expenses	1,235,740	-	1,235,740	1,167,814	-	1,167,814
CHANGE IN NET ASSETS	(42,904)	45,310	2,406	58,383	36,696	95,079
NET ASSETS						
Beginning of year	1,104,206	256,161	1,360,367	1,045,823	219,465	1,265,288
End of year	$ 1,061,302	$ 301,471	$ 1,362,773	$ 1,104,206	$ 256,161	$ 1,360,367

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, 2022 AND 2021

	2022				2021			
	Program Services	Fund Raising	Management and General	Total	Program Services	Fund Raising	Management and General	Total
Payroll	$ 619,619	$ 100,688	$ 54,217	$ 774,524	$ 606,646	$ 98,580	$ 53,081	$ 758,307
Employee benefits	64,514	10,484	5,645	80,643	48,259	7,842	4,223	60,324
Payroll taxes	52,275	8,495	4,574	65,344	47,628	7,740	4,168	59,536
Rent	32,924	1,431	1,431	35,786	32,733	1,423	1,423	35,579
Consulting	73,063	23,198	11,835	108,096	65,443	23,198	11,835	100,476
Fundraising, marketing and special events	-	29,353	-	29,353	-	35,330	-	35,330
Depreciation	8,841	1,356	730	10,927	9,009	1,464	788	11,261
Utilities	4,801	204	102	5,107	7,246	308	154	7,708
Office	17,283	527	641	18,451	15,192	454	562	16,208
Travel	14,384	300	300	14,984	5,800	121	121	6,042
Telephone	8,806	387	484	9,677	7,802	343	429	8,574
Training	2,834	-	-	2,834	1,375	-	-	1,375
Dues, subscriptions, and fees	6,790	-	-	6,790	9,909	-	-	9,909
Computer fees and maintenance	22,741	989	989	24,719	15,243	663	663	16,569
Insurance	12,429	-	592	13,021	9,142	-	592	9,734
Accounting	-	-	19,975	19,975	-	-	11,450	11,450
Printing and postage	1,020	55	33	1,108	1,462	79	48	1,589
Collaborative law expenses	-	-	-	-	3,556	-	-	3,556
Interest expense	-	-	4,636	4,636	-	-	4,125	4,125
Rebuilding families	9,765	-	-	9,765	10,162	-	-	10,162
Total Functional Expenses	$ 952,089	$ 177,467	$ 106,184	$ 1,235,740	$ 896,607	$ 177,545	$ 93,662	$ 1,167,814

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, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,406	$ 95,079
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	10,927	11,261
Unrealized and realized loss (gain) on investments	144,469	(74,705)
(Increase) decrease in:		
Contributions and grants receivable	(309,666)	(36,696)
Prepaid expenses	569	(1,433)
Operating lease right-of-use assets	29,626	-
Increase (decrease) in:		
Accounts payable	9,437	5,386
Operating lease liabilities	(28,200)	-
Accrued payroll	(1,861)	(10,343)
Accrued interest	3,995	4,125
Pension payable	(158)	836
Deferred revenue	(2,845)	(6,649)
Refundable advance	14,650	(121,563)
Total adjustments	(129,057)	(229,781)
Net cash used in operating activities	(126,651)	(134,702)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,000)	-
Proceeds from sales of investments	295,432	329,445
Purchase of investments	(309,323)	(344,268)
Net cash used in investing activities	(19,891)	(14,823)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(146,542)	(149,525)
CASH AND CASH EQUIVALENTS		
Beginning of year	453,858	603,383
End of year	$ 307,316	$ 453,858

See accompanying notes to the consolidated financial statements

THE CHILDREN'S LAW CENTER, INC. & SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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. The LLC also started the Collaborative Family Law program during 2020, which provides a settlement process to resolve a divorce or separation without turning over the decision-making to a judge.

b) **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.

c) **Change in Accounting Principle**

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements;* ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. The most significant change in the new leasing guidance is the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet.

The Center elected to adopt these ASUs effective January 1, 2022 and utilized all of the available practical expedients. The adoption had a material impact on the Center's statement of financial position but did not have a material impact on the statement of activities and change in net assets. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. Adoption of the standard required the Center to restate amounts as of January 1, 2022, resulting in an increase in operating lease ROU assets of $126,139, an increase in current operating lease liabilities of $28,200, and an increase in long-term operating lease liabilities of $97,939.

d) **Basis of Presentation**

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). 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:

1) **<u>NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>** **-** Continued

d) **<u>Basis of Presentation</u>** – Continued

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, whereby the donor has stipulated the funds be maintained in perpetuity.

e) **<u>Estimates</u>**

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.

f) **<u>Cash and Cash Equivalents</u>**

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.

g) **<u>Contributions and Grants Receivable</u>**

Contributions and grants receivable that are expected to be collected within one year are recorded at their net realizable value. 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. All contributions and grants receivable are to be received within one year at both December 31, 2022 and 2021. Management periodically evaluates the collectability of receivables and creates an allowance for any accounts deemed uncollectible. As of December 31, 2022 and 2021, there was no allowance for uncollectible accounts.

h) **<u>Investments</u>**

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.

i) **<u>Property and Equipment</u>**

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.

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

j) **Right-of-Use Assets**

A right-of-use (ROU) asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset. The Center has no finance leases. The Center has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on stand-alone prices.

k) **Lease Liabilities**

A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Center uses a risk-free rate for its leases. The implicit rates of the Center's lease is not readily determinable.

l) **Accounting Policy Election for Short-Term Leases**

The Center have elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than 1 month at lease commencement, and do not include an option to purchase the underlying asset that the Center is reasonably certain to exercise. The Center recognize lease cost associated with its short-term leases on a straight-line basis over the lease term.

m) **Revenue Recognition – Contracts with Customers**

Fees – exchange includes revenue derived from legal case work paid directly from clients, contracted mediation and government appeals work, and professional development and trainings. The Center recognizes revenue on these service contracts over time as legal work is performed and as trainings are conducted. Payment is typically received prior to or at the time services are provided. Amounts billed and collected before the services are performed are included in deferred revenue. These amounts are recognized as revenue at the time the services are performed (i.e. as billable hours are incurred and trainings take place).

Rebuilding families' revenue is generated through the LLC and derived from fixed fees for hair sample collection and hair drug testing. The LLC recognizes this revenue at a point in time when the tests are completed. Payment is received at time the sample is collected.

Collaborative Family Law revenue is generated through the LLC from a traditional multidisciplinary team model of collaborative practice. The charge per case is a flat fee determined at the start of each case, with 60% of the fee paid at the onset of the process and 40% paid upon completion and prior to the preparation of final documents. The performance obligations are satisfied as the services are performed.

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

n) **Contributions, Including Government Grants and Contracts**

Certain governmental grants and contracts received by a not-for-profit, including certain awards to fund capital expenditures, are generally considered to be contributions rather than exchange transactions since there was not commensurate value transferred between the resource provider and the Center. Promises to give that are subject to donor-imposed conditions (i.e. a donor stipulation that includes a barrier that must be overcome and a right of return of assets) are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional. Unconditional contributions are recognized when promised or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor.

The Center reports contributions of cash and other assets as donor restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. Contributions received whose conditions and restrictions are met in the same period are reported as increases in net assets without donor restrictions. Transfers of assets from a resource provider received before the barriers are overcome are reported as refundable advances on the accompanying consolidated statements of financial position.

Fees – nonexchange reported on the consolidated statements of activities and changes in net assets are State grants that have been deemed to be conditional contributions. This represents funds recognized for cases worked meeting grant criteria. All refundable advances as of December 31, 2022 and 2021 pertain to these State grants.

Conditional government grants and contracts not recognized as revenue as December 31, 2022 and 2021 totaled $176,223 and $46,223, respectively. Government grants and contracts are conditioned on incurring qualified program expenses or performance measures.

o) **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, 2022 and 2021, 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, 2022 and 2021, the Center's federal and state returns generally remain open for examination for three years after the date filed.

p) **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

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

p) **Functional Allocation of Expenses** – Continued

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, depreciation and other expenses, which are allocated on the basis of time and effort.

q) **Reclassifications**

Certain reclassifications have been made to the December 31, 2021 financial statements to conform to the December 31, 2022 financial statement presentation.

r) **Subsequent Events**

In preparing these consolidated financial statements, management of the Center has evaluated subsequent events through September 20, 2023 which represents the date the consolidated financial statements were available to be issued.

2) **CONTRACT BALANCES FOR EXCHANGE TRANSACTIONS**

The beginning and ending contract balances for exchange transactions consists of the following at December 31:

	2022	2021	2020
Accounts receivable	$ -	$ -	$ -
Deferred revenue	$ 9,032	$ 11,877	$ 18,526

3) **INVESTMENTS**

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

	2022	2021
Money market fund	$ 17,592	$ 17,934
Equities	437,612	538,533
Mutual funds	281,699	311,014
Total investments	$ 736,903	$ 867,481

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

	2022	2021
Unrealized (loss)/gain	$ (155,737)	$ 23,242
Realized gain	11,268	51,463
Management fees	(8,785)	(9,044)
Net (loss)/gain	(153,254)	65,661
Interest and dividends	19,651	20,849
Total investment (loss) return	$ (133,603)	$ 86,510

4) **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, 2022 and 2021, total investments of $736,903 and $867,481, respectively, were classified as Level 1 investments (as disclosed in Note 3).

5) **PROPERTY AND EQUIPMENT**

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

	2022	2021
Leasehold improvements	$ 13,555	$ 13,555
Software	55,599	55,599
Computer and office equipment	72,968	66,968
	142,122	136,122
Less: accumulated depreciation	119,081	108,154
Property and equipment, net	$ 23,041	$ 27,968

Depreciation expense for the years ended December 31, 2022 and 2021 was $10,927 and $11,261, respectively.

6) **LINE OF CREDIT**

The Center obtained an unsecured line of credit in April 2020 from a financial institution in the amount of $75,000. Interest only is payable monthly at four percent (4%) and all outstanding principal and accrued interest is payable on March 30, 2024. During the term of the agreement, the line of credit is required to be reduced to a zero balance for a period of not less than forty-five consecutive days every twelve months. The outstanding balance at December 31, 2022 and 2021 was $-0-.

7) **LONG-TERM DEBT**

Long-term debt consists of the following as of December 31:

		2022		2021
The Center obtained an Economic Injury Disaster Loan (EIDL) through the United States Small Business Administration ("SBA") in the amount of $150,000 on May 16, 2020. The EIDL requires monthly payments of $641, including interest at 2.75%, through May 16, 2050 with payments starting 30 months from the date of the promissory note (first payment due November 16, 2022). Payments in 2022 through 2025 will all be for interest. This loan is secured by all assets of the Center. The EIDL term note is guaranteed by the SBA. Loan proceeds are required to be used as working capital to alleviate economic injury in early 2020.	$	150,000	$	150,000
Less: Current portion of long-term debt		-		-
Long-term debt, net of current portion	$	150,000	$	150,000

Aggregate principal payments of long-term debt are as follows for the years ending December 31:

2023		-
2024		-
2025		-
2026		2,772
2027		3,685
Thereafter		143,543
Total	$	150,000

Related interest expense for the years ended December 31, 2022 and 2021 was $4,636 and $4,125, respectively.

8) **NET ASSETS WITH DONOR RESTRICTIONS**

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

		2022		2021
Subject to the passage of time (for periods after December 31, 2022 and 2021, respectively):				
Interest on Lawyer Trust Accounts	$	52,368	$	32,581
Judicial Branch Grant-in-Aid		24,077		19,633
Court Fees Grant-in-Aid		159,555		161,912
Pledges and contributions receivable		64,371		40,935
		300,371		255,061

8) **NET ASSETS WITH DONOR RESTRICTIONS** – Continued

		2022		2021
Subject to spending policy and appropriation:				
Investment in perpetuity				
Any activities of the Center		1,100		1,100
Total net assets with donor restrictions	$	301,471	$	256,161

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:

		2022		2021
Expiration of time restrictions:				
Passage of specified time	$	255,061	$	218,365

9) **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, 2022 and 2021.

9) **ENDOWMENT** – Continued

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.

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 736,903	$ -	$ 736,903
Donor-restricted endowment funds	-	1,100	1,100
Total funds	$ 736,903	$ 1,100	$ 738,003

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 867,481	$ -	$ 867,481
Donor-restricted endowment funds	-	1,100	1,100
Total funds	$ 867,481	$ 1,100	$ 868,581

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 867,481	$ 1,100	$ 868,581
Contributions	3,090	-	3,090
Investment return, net	(133,668)	-	(133,668)
Appropriation for expenditure	-	-	-
Endowment net assets, end of year	$ 736,903	$ 1,100	$ 738,003

9) **ENDOWMENT** – Continued

	2021					
		Without Donor Restrictions		With Donor Restrictions		Total
Endowment net assets, beginning of year	$	777,953	$	1,100	$	779,053
Contributions		3,018		-		3,018
Investment return, net		86,510		-		86,510
Appropriation for expenditure		-		-		-
Endowment net assets, end of year	$	867,481	$	1,100	$	868,581

10) **GOVERNMENT GRANT – PAYCHECK PROTECTION PROGRAM**

In January 2021, the Center applied for and was approved for a loan of approximately $162,965 for another SBA PPP loan pursuant to the Paycheck Protection Program under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act). Under the terms of the agreement, the Center can apply to the issuing bank for loan forgiveness, which will be confirmed and approved by the SBA. The amount of forgiveness is determined based on the criteria as outlined in the Economic Aid Act. Similar to the PPP loan received in 2020, the Center is treating it as a cost-reimbursement grant from the government for accounting purposes. The primary barriers are identifiable and management has determined that the full amount of the PPP loan was utilized for qualifying expenses during 2021. Accordingly, for the year ended December 31, 2021, the Center recognized $162,965 of revenue for this grant, which is included in grants in the accompanying consolidated statements of activities and change in net assets. The Center submitted a request for full forgiveness of the PPP loan in June 2021. The request was approved by the lender, who then submitted it to the SBA for the SBA's review and approval. The Center received notification that the SBA forgave the full balance of the loan via payment to the lender on July 9, 2021.

11) **GOVERNMENT GRANT – EMPLOYEE RETENTION CREDIT**

The Employee Retention Credit (ERC) is a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, which was established by the CARES Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). During the year ended December 31, 2022, the Center determined they were eligible for the ERC for certain quarters in 2021. Management considers the ERC to be conditional contributions, with a right-of-return in the form of an obligation to be repaid if barriers to entitlement are not met. In accordance with the Center's accounting policy on government assistance programs, the Center recognized as revenue an ERC of $264,356 during the year ended December 31, 2022. The amounts are included in grants in the accompanying consolidated statements of activities and change in net assets and in contributions and grants receivable on the statements of financial position. The Center completed a Form 941-X for each quarter determined to be eligible for the ERC and filed them in early 2023. The Center expects to receive the refunds in 2023, with all but one quarter collected as of the date of these financial statements.

12) **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 2022 and 2021, not to exceed employee deferrals. The Center's match for the years ended December 31, 2022 and 2021 was $4,812 and $4,745, respectively.

13) **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:

	2022	2021
Cash and cash equivalents	$ 307,316	$ 453,858
Investments	736,903	867,481
Contributions and grants receivable	564,727	255,061
Total financial assets	1,608,946	1,576,400
Less:		
Amounts unavailable for expenditures within one year due to:		
Donor-restricted endowment included in cash and cash equivalents	1,100	1,100
Board-designated endowment	736,903	867,481
	738,003	868,581
Total financial assets available within one year	$ 870,943	$ 707,819

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. In addition, as part of its liquidity management, the Center has access to a line of credit (see Note 6). As of December 31, 2022 and 2021, the Center has $75,000 and $75,000, respectively, available on the line of credit.

14) **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.

15) **LEASES**

The Center leased its office facility in Hartford, Connecticut for a five-year period through February 2017. 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. This lease for the Center's office facility was revised with a new lease effective March 1, 2021 with a term through February 28, 2026.

The components of lease expense and statement of activities and change in net assets caption allocation for the year ended December 31, 2022, are as follows:

Lease cost	Classification	2022
Operating lease cost	Program services	$ 28,653
Operating lease cost	Fundraising	1,246
Operating lease cost	Management and general	1,246
Total lease cost		$ 31,145

15) **LEASES** – Continued

Rent expense under operating leases was $35,579 for the year ended December 31, 2021.

Other information related to leases as of or for the year ended December 31, 2022, are as follows:

	2022
Weighted-average remaining term (years) – operating lease	3.2
Weighted-average discount rate – operating lease	1.37%

Supplemental cash information related to leases was as follows for the year ended December 31, 2022:

		2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	29,719
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$	126,139

The future minimal lease payments to be paid under non-cancellable leases in effect as of December 31, 2022 are as follows:

		Operating
2023	$	30,610
2024		31,529
2025		32,475
2026		5,439
Total lease payments		100,053
Less: present value adjustment		2,114
Present value of lease liabilities	$	97,939

16) **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.

During the years ended December 31, 2022 and 2021, the Center received approximately 46% and 41%, respectively, of its revenue from the State of Connecticut. At December 31, 2022 and 2021, approximately 42% and 84%, respectively, of the Center's grants and contributions receivable is from the State of Connecticut.

17) **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:

		2022		2021
Assets:				
Cash	$	4,063	$	2,024
Liabilities:				
Accounts payable		-		66
Due to Children's Law Center, Inc.		15,611		13,116
Total Liabilities		15,611		13,182
Net Assets		(11,548)		(11,158)
Total Liabilities and Net Assets	$	4,063	$	2,024
Revenues	$	9,375	$	13,936
Expenses		9,765		13,718
Change in Net Assets	$	(390)	$	218

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

18) **SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for interest and income taxes for 2022 and 2021 was as follows:

		2022		2021
Interest	$	641	$	-
Income taxes	$	-	$	-