

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA

Financial Statements

June 30, 2014 and 2013

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To the Board of Directors
Children's Law Center of Central North Carolina
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Children's Law Center of Central North Carolina, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Children's Law Center of Central North Carolina as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Butler & Burke LLP

Winston-Salem, North Carolina
November 20, 2014

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 124,249	\$ 63,738
Grants receivable	65,599	64,901
Special event receivable	24,500	14,625
Accounts receivable	264	121
Prepaid expenses	1,329	3,867
Property and equipment, net	<u>977</u>	<u>3,870</u>
<u>TOTAL ASSETS</u>	<u>\$ 216,918</u>	<u>\$ 151,122</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,221	\$ 1,516
<u>Total Liabilities</u>	<u>1,221</u>	<u>1,516</u>
 Net Assets		
Unrestricted	125,598	82,914
Temporarily restricted	<u>90,099</u>	<u>66,692</u>
<u>Total Net Assets</u>	<u>215,697</u>	<u>149,606</u>
 <u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 216,918</u>	<u>\$ 151,122</u>

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA**STATEMENT OF ACTIVITIES****For the Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants	\$ 60,200	\$ 89,474	\$ 149,674
Contributions	58,505	-	58,505
Special event	18,612	24,500	43,112
Contract revenue	31,212	-	31,212
GAL fees	10,110	-	10,110
In-kind contributions	<u>444,615</u>	<u>-</u>	<u>444,615</u>
	623,254	113,974	737,228
Net assets released from restrictions	<u>90,567</u>	<u>(90,567)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>713,821</u>	<u>23,407</u>	<u>737,228</u>
EXPENSES			
Program services	577,035	-	577,035
Management and general	19,238	-	19,238
Fundraising	<u>74,864</u>	<u>-</u>	<u>74,864</u>
<u>Total Expenses</u>	<u>671,137</u>	<u>-</u>	<u>671,137</u>
 Change in Net Assets	 42,684	 23,407	 66,091
 Net Assets at Beginning of Year	 <u>82,914</u>	 <u>66,692</u>	 <u>149,606</u>
 Net Assets at End of Year	 <u>\$ 125,598</u>	 <u>\$ 90,099</u>	 <u>\$ 215,697</u>

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA**STATEMENT OF ACTIVITIES****For the Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE			
Grants	\$ 126,307	\$ 71,119	\$ 197,426
Contributions	17,975	-	17,975
Special events	20,579	14,625	35,204
Contract revenue	30,600	-	30,600
GAL fees	6,975	-	6,975
Program service fees	514	-	514
Interest income	13	-	13
In-kind contributions	<u>154,800</u>	<u>-</u>	<u>154,800</u>
	357,763	85,744	443,507
Net assets released from restrictions	<u>81,546</u>	<u>(81,546)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>439,309</u>	<u>4,198</u>	<u>443,507</u>
EXPENSES			
Program services	390,163	-	390,163
Management and general	21,228	-	21,228
Fundraising	<u>51,195</u>	<u>-</u>	<u>51,195</u>
<u>Total Expenses</u>	<u>462,586</u>	<u>-</u>	<u>462,586</u>
Change in Net Assets	(23,277)	4,198	(19,079)
Net Assets at Beginning of Year	<u>106,191</u>	<u>62,494</u>	<u>168,685</u>
Net Assets at End of Year	<u>\$ 82,914</u>	<u>\$ 66,692</u>	<u>\$ 149,606</u>

CHILDREN’S LAW CENTER OF CENTRAL NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended June 30, 2014

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 112,951	\$ 13,826	\$ 48,304	\$ 175,081
In-kind personnel	54,075	-	-	54,075
Professional fees	2,916	3,092	1,435	7,443
Fees	961	219	859	2,039
Training and conferences	488	-	-	488
Travel and meetings	3,705	44	14	3,763
Supplies	685	57	198	940
Telephone and telecommunications	2,346	194	678	3,218
Postage, shipping and delivery	114	114	1,192	1,420
Printing and copying	80	89	1,240	1,409
In-kind printing and copying	-	-	1,300	1,300
Rent and parking	5,737	474	1,660	7,871
In-kind rent	8,550	708	2,472	11,730
Insurance	2,970	246	859	4,075
Dues	1,839	-	-	1,839
Special event	-	-	14,043	14,043
Depreciation	2,108	175	610	2,893
In-kind legal services	377,510	-	-	377,510
	<u>\$ 577,035</u>	<u>\$ 19,238</u>	<u>\$ 74,864</u>	<u>\$ 671,137</u>

CHILDREN’S LAW CENTER OF CENTRAL NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSES
For Year Ended June 30, 2013

	Program Services	Management and General	Fundraising	Total
Personnel	\$ 196,969	\$ 14,106	\$ 26,868	\$ 237,943
Professional fees	3,932	3,932	536	8,400
Fees	686	1,034	529	2,249
Training and conferences	1,360	-	-	1,360
Travel and meetings	3,965	39	75	4,079
Supplies	1,517	108	206	1,831
Telephone and telecommunications	2,673	191	365	3,229
Postage, shipping and delivery	184	184	525	893
Printing and copying	53	54	2,065	2,172
Rent and parking	16,172	1,158	2,206	19,536
Insurance	3,100	222	423	3,745
Dues	1,970	-	-	1,970
Special event	-	-	17,017	17,017
Depreciation	2,782	200	380	3,362
In-kind legal services	154,800	-	-	154,800
	<u>\$ 390,163</u>	<u>\$ 21,228</u>	<u>\$ 51,195</u>	<u>\$ 462,586</u>

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA**STATEMENTS OF CASH FLOWS**For the Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 66,091	\$ (19,079)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	2,893	3,362
(Increase) decrease in operating assets:		
Grants receivable	(698)	13,725
Pledge receivable	-	5,000
Special event receivable	(9,875)	(11,125)
Accounts receivable	(143)	140
Prepaid expenses	2,538	(187)
Decrease in operating liabilities:		
Accounts payable	(295)	(4,682)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>60,511</u>	<u>(12,846)</u>
 Change in Cash and Cash Equivalents	 60,511	 (12,846)
 Cash and Cash Equivalents at Beginning Year	 <u>63,738</u>	 <u>76,584</u>
 Cash and Cash Equivalents at End of Year	 <u>\$ 124,249</u>	 <u>\$ 63,738</u>

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

The Children's Law Center of Central North Carolina (the "Center") provides advocacy for children in matters of domestic violence, high conflict custody, abuse and neglect, and educational issues.

The Center is a formal clinical partner of Wake Forest University (the "University"). An agreement is in place in which the Center provides educational opportunities to the University's law students and the University provides support for teaching services to the Center.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Center presents its net assets and its support and revenue based upon the absence or existence of donor-imposed restrictions as follows:

Unrestricted net assets – net assets that are not restricted by donors or for which donor-imposed restrictions have expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated unrestricted net assets.

Temporarily restricted net assets – net assets that contain donor-imposed time or purpose restrictions that have not currently been met.

Permanently restricted net assets – net assets that contain donor-imposed restrictions stipulating that amounts be maintained in perpetuity. The Center has no permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions on net assets (i.e., the stipulated time period has elapsed or purpose was satisfied) are reported as net assets released from restrictions. Contributions that are restricted by donors are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the contributions are recognized.

Contributions

Contributions, which include unconditional promises to give (pledges and grants), are recognized as revenues in the period the commitment is made and are recorded at fair value, which is computed as the estimated present values of expected future cash flows. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met. The Center determines an allowance for uncollectible accounts based upon management's judgment about such factors as prior collections history, type of contribution, and nature of fundraising activity. No allowance was deemed necessary at June 30, 2014 and 2013.

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

The Center records various types of in-kind support, including services and other tangible assets. GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or assets.

Cash and Cash Equivalents

The Center considers all highly-liquid temporary cash instruments purchased with an initial maturity of three months or less to be cash equivalents. The Center maintains its cash and cash equivalents in a bank account, the balance of which may at times exceed federally insured limits. The Center's cash and cash equivalents are placed with high-credit quality financial institutions and the Center has not experienced any losses in such accounts.

Accounts Receivable

The Center records accounts receivable as the total unpaid balance, which approximates estimated fair value as of June 30, 2014 and 2013. The Center determines past-due status of individual accounts receivable based on the contractual terms of the original service. The Center estimates its allowance for doubtful accounts based on a combination of factors, including the Center's historical loss experience and any anticipated effects related to current economic conditions, as well as management's knowledge of the current composition of accounts receivable. No allowance was considered necessary for the years ended June 30, 2014 and 2013. Accounts receivable that management believes to be ultimately not collectible are written off upon such determination.

Property and Equipment

Property and equipment consists of furniture and computers. They are stated at cost or, if donated, at market value at date of contribution. Property and equipment is depreciated principally by the straight-line method over the estimated useful lives of the assets, three years.

Functional Expenses

Functional expenses which are not directly attributable to one function are allocated between program services, management and general, and fundraising based on an analysis of time spent related to the applicable functions or other reasonable basis.

Use of Estimates

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

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Tax Status

The Center is a not-for-profit organization and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

The Center's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. It is the opinion of management that the Center has no uncertain tax positions that would be subject to change upon examination.

The Center is required to file a federal exempt organization tax return (Form 990) annually to retain its exempt status. The Center is also required to file an exempt organization business income tax return (Form 990-T) for any year unrelated business income exceeds \$1,000. The Center's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Subsequent Events

The Center has evaluated its subsequent events (events occurring after June 30, 2014) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the financial statements.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE C: SPECIAL EVENT – HOME FREE

Home Free is an annual special event conducted by the Center and another local non-profit organization. The event is designed to provide additional revenue for use in the Center's normal operations. Support and related expenses for this event during the years ended June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Revenue		
Contributions for current year	\$ 18,612	\$ 20,579
Contributions for subsequent year	<u>24,500</u>	<u>14,625</u>
<u>Total Revenue</u>	<u>43,112</u>	<u>35,204</u>
Expenses		
Advertising	3,040	4,891
Postage	564	435
Speaker	5,764	5,375
Food	3,160	4,378
Venue	450	450
Other event costs	<u>1,065</u>	<u>1,488</u>
<u>Total Expenses</u>	<u>14,043</u>	<u>17,017</u>
	<u>\$ 29,069</u>	<u>\$ 18,187</u>

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

NOTE D: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Furniture and computers	\$ 15,936	\$ 15,936
Less accumulated depreciation	<u>(14,959)</u>	<u>(12,066)</u>
	<u>\$ 977</u>	<u>\$ 3,870</u>

Depreciation expense totaled \$2,893 and \$3,362 for the years ended June 30, 2014 and 2013, respectively.

NOTE E: DONATED SERVICES

The Center recognizes in-kind contribution revenue for certain services received at their fair value. The Center received in-kind legal services from professionals pursuant to their mission valued at \$377,510 and \$154,800 for the years ended June 30, 2014 and 2013, respectively. Other in-kind contributions for the year ended June 30, 2014 include personnel related, printing, and rental expenses. A substantial number of other volunteers have donated significant amounts of their time to the Center and its advocacy program; however, these donated services are not reflected in the financial statements since these services do not meet the criteria for recognition as contributed services.

NOTE F: RELATED PARTY TRANSACTIONS

The Center receives contributions for general support and fundraising events from members of the Board of Directors. Contributions from current Board members were approximately \$9,263 and \$4,241 for the years ended June 30, 2014 and 2013, respectively. There was \$1,250 of contributions receivable from Board members at June 30, 2014. There was no contributions receivable from Board members at June 30, 2013.

NOTE G: LEASES

The Center leases office space and furniture on a month-to-month basis. The total rent expense for the years ended June 30, 2014 and 2013 was \$14,076, respectively. The Center received \$11,730 of in-kind rent expense for the year ended June 30, 2014. There was no in-kind rent expense received for the year ended June 30, 2013.

CHILDREN'S LAW CENTER OF CENTRAL NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

NOTE H: RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets consisting of contributions and grants restricted as to purpose or the passage of time are as follows at June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Purpose Restricted:		
Winston-Salem Foundation	\$ 14,823	\$ -
Time Restricted:		
IOLTA	9,053	9,053
Special event receivable	24,500	14,625
United Way	<u>41,723</u>	<u>43,014</u>
	<u>\$ 90,099</u>	<u>\$ 66,692</u>