

COMMUNITY LAW CENTER, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

WITH INDEPENDENT AUDITORS' REPORT THEREON

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Community Law Center, Inc.
Baltimore, Maryland

We have audited the accompanying statement of financial position of Community Law Center, Inc., as of December 31, 2010, and the related statements of activities and change in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Law Center, Inc., as of December 31, 2010, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "T.R. Klein & Company".

March 25, 2011

COMMUNITY LAW CENTER, INC.

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2010

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COMMUNITY LAW CENTER, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

ASSETS

Cash	\$ 262,731
Accounts receivable	788
Grants receivable	24,687
Contributions receivable	75,000
Prepaid expenses and deposits	19,527
Restricted cash	16,000
Furniture and equipment, net	<u>28,660</u>
Total assets	<u><u>427,393</u></u>

LIABILITIES AND NET ASSETS

Prepaid rental revenue	1,571
Accounts payable	4,041
Agency transaction payable	50,000
Accrued expenses	<u>22,623</u>
Total liabilities	<u>78,235</u>
Net assets:	
Unrestricted - available for general purposes	251,458
Temporarily restricted	81,700
Permanently restricted	<u>16,000</u>
Total net assets	<u>349,158</u>
Total liabilities and net assets	<u><u>\$ 427,393</u></u>

COMMUNITY LAW CENTER, INC.

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

YEAR ENDED DECEMBER 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Public support:				
Contributions	\$ 512,808	\$ 81,700	\$ -	\$ 594,508
Contributed professional fees	305,961	-	-	305,961
	818,769	81,700	-	900,469
Special events	21,450	-	-	21,450
Less direct costs	1,658	-	-	1,658
	19,792	-	-	19,792
Grants from governmental agencies	99,592	-	-	99,592
Other revenue:				
Fees	87,853	-	-	87,853
Miscellaneous	974	-	-	974
	88,827	-	-	88,827
Total revenues, gains and other support	1,026,980	81,700	-	1,108,680
Expenses:				
Program services -				
Community legal assistance	773,005	-	-	773,005
Supporting services:				
Management and general	101,836	-	-	101,836
Fund raising	80,760	-	-	80,760
Total supporting services	182,596	-	-	182,596
Total expenses	955,601	-	-	955,601
Change in net assets	71,379	81,700	-	153,079
Net assets - beginning of year	180,079	-	16,000	196,079
Net assets - end of year	\$ 251,458	\$ 81,700	\$ 16,000	\$ 349,158

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

COMMUNITY LAW CENTER, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

Cash flows from operating activities:	
Change in net assets	\$ 153,079
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	12,076
(Increase) decrease in:	
Accounts receivable	12,859
Grants receivable	4,195
Contributions receivable	(72,725)
Prepaid expenses and deposits	(740)
Increase (decrease) in:	
Prepaid rental revenue	1,571
Accounts payable	1,615
Agency transaction payable	50,000
Accrued expenses	(5,428)
Net cash provided by operating activities	<u>156,502</u>
Net increase in cash	156,502
Cash - beginning of year	<u>106,229</u>
Cash - end of year	<u><u>\$ 262,731</u></u>

COMMUNITY LAW CENTER, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2010

	Program Services	Supporting Services		
	Community Legal Assistance	Management and General	Fund Raising	Total
Payroll and payroll related expenses	\$ 358,961	\$ 56,235	\$ 62,590	\$ 477,786
Professional fees	-	26,189	-	26,189
Contributed professional fees	305,961	-	-	305,961
Supplies	1,850	290	323	2,463
Occupancy	69,694	10,918	12,152	92,764
Telephone	5,162	809	900	6,871
Postage, printing and promotion	6,850	1,073	1,194	9,117
Equipment maintenance	8,312	1,302	1,449	11,063
Dues, library and publications	3,613	-	-	3,613
Interest and other	3,529	1,220	570	5,319
Depreciation	9,073	1,421	1,582	12,076
Bad debt expense	-	2,379	-	2,379
	<u>\$ 773,005</u>	<u>\$ 101,836</u>	<u>\$ 80,760</u>	<u>\$ 955,601</u>

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

COMMUNITY LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

1 - Summary of Significant Accounting Policies

Nature of Organization

Community Law Center, Inc. (Organization) is a non-profit organization located in Baltimore, Maryland that provides technical resources, direct legal services, and counsel by pro bono attorneys to non-profit organizations which represent issues of low income people and small businesses in distressed communities. The agencies served by the Organization range from small, unfunded neighborhood associations to more sophisticated non-profit housing developers. The agencies typically work in low income neighborhoods and are seeking to provide solutions to the problems found in the inner city.

Contributions and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and change in net assets as net assets released from restrictions. Governmental grant awards are classified as refundable advances until expended for the purpose of the grants since they are conditional promises to give.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash equivalents to include time deposits, certificates of deposit, and all highly liquid debt instruments purchased with maturities of three (3) months or less.

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

COMMUNITY LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1 - Summary of Significant Accounting Policies (continued)

Property and Equipment

The Organization capitalizes substantial expenditures for property and equipment having a useful life of three (3) or more years. Expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed over the estimated useful lives of three (3) - ten (10) years using the straight-line method. The Organization uses the direct expensing method to account for planned major maintenance activities.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Accounts Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that are believed to be uncollectible by the time the financial statements are issued. Accounting principles generally accepted in the United States of America (GAAP) requires the allowance method for accounting for bad debts, but the differences between the two methods are immaterial.

2 - Commitments

The Organization leases its office space under a lease ending January 31, 2014 with monthly payments in the amount of \$ 5,081 increasing three (3) percent every February. The Organization has two, five-year options to renew the lease. Rent expense was \$ 60,976 for the year ended December 31, 2010.

Future minimum lease rentals are as follows:

2011	\$ 62,653
2012	64,517
2013	66,419
2014	\$ 5,548

(Continued)

COMMUNITY LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3 - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization has been classified as a publicly-supported organization which is not a private foundation under Section 509(a) of the Code.

4 - Donated Services

The Organization received donated legal services which benefited all aspects of the mission. Donated legal services recorded in the financial statements was \$ 305,961 for the year ended December 31, 2010.

5 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at December 31, 2010:

Time	\$ 75,000
Website	1,700
Publications/promotional material	<u>5,000</u>
	<u>81,700</u>

6 - Property and Equipment

Property and equipment consisted of the following at December 31, 2010:

Furniture and equipment	72,661
Less accumulated depreciation	<u>44,001</u>
	<u>\$ 28,660</u>

7 - Line of Credit

The Organization has a line of credit with an interest rate of 3.25% and a limit of \$50,000 which is secured by all of the assets of the Organization. The balance was \$ 0 at December 31, 2010.

8 - Restricted Cash/Permanently Restricted Net Assets

The Louis B. Thalheimer and Juliet Eurich Philanthropic Fund, Inc. granted the Organization \$ 16,000 to establish a reserve fund. The fund is to be used in emergency situations only, and all funds withdrawn from the reserve fund must be repaid within one (1) year from the date of withdrawal. The Organization is in compliance with these restrictions.

COMMUNITY LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9 - Contributions Receivable

Contributions receivable consisted of unconditional promises to give to be received within one year. The balance of contributions receivable was \$ 75,000 at December 31, 2010.

10 - Subsequent Events

GAAP requires organizations to evaluate events and transactions that occur after the statement of financial position date but before the date the financial statements are available to be issued. GAAP requires entities to recognize in the financial statements the effect of all events or transactions that provide additional evidence of conditions that existed at the statement of financial position date, including the estimates inherent in the financial preparation process. Subsequent events that provide evidence about conditions that arose after the statement of financial position date should be disclosed if the financial statements would otherwise be misleading. The Organization has evaluated subsequent events through the date the financial statements were available to be issued on March 25, 2011 and determined that the following event requires disclosure:

On January 1, 2011, the Organization started leasing part of its facilities under a sublease agreement. Monthly rental payments are \$ 1,095 in January increasing 3% in February of each year. The sublease also requires the sub-tenant to pay part of the operating costs of the facility. Future minimum rentals to be received are as follows for the years ending December 31,:

2011	\$ 13,501
2012	\$ 13,906

11 - Contingency

The Internal Revenue Service has not examined (audited) any income tax returns of the Organization thus the previous three (3) years are subject to examination. The Organization has not taken any questionable tax positions with respect to unrelated business income tax or anything that would jeopardize its 501(c)(3) status.

12 - Use of Estimates in Financial Statements

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