



Lawyers for Neighborhoods & Nonprofits

COMMUNITY LAW CENTER, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

WITH INDEPENDENT AUDITORS' REPORT THEREON

COMMUNITY LAW CENTER, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Community Law Center, Inc., which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities and change in net assets, cash flows and functional expenses for the years then ended, and the 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 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 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 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 financial statements are free of material misstatement.

Members

American Institute of Certified Public Accountants

Maryland Association of Certified Public Accountants

Auditors' Responsibility (continued)

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 Community Law Center, Inc., as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



CERTIFIED PUBLIC ACCOUNTANTS

April 17, 2014

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COMMUNITY LAW CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 244,439	\$ 239,698
Accounts receivable	1,898	1,400
Grants receivable	19,804	19,951
Contributions receivable	125,308	80,325
Prepaid expenses and deposits	19,962	19,291
Furniture and equipment, net	<u>27,658</u>	<u>39,387</u>
Total assets	<u>439,069</u>	<u>400,052</u>
LIABILITIES AND NET ASSETS		
Accounts payable	1,618	1,208
Accrued expenses	<u>30,342</u>	<u>22,935</u>
Total liabilities	<u>31,960</u>	<u>24,143</u>
Net assets:		
Unrestricted - available for general purposes	244,730	274,117
Temporarily restricted	<u>162,379</u>	<u>101,792</u>
Total net assets	<u>407,109</u>	<u>375,909</u>
Total liabilities and net assets	<u>\$ 439,069</u>	<u>\$ 400,052</u>

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

COMMUNITY LAW CENTER, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

	YEAR ENDED DECEMBER 31, 2013				YEAR ENDED DECEMBER 31, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:								
Public support:								
Contributions	\$ 359,295	\$ 143,349	\$ -	\$ 502,644	\$ 346,732	\$ 101,792	\$ -	\$ 448,524
Contributed professional fees	638,999	-	-	638,999	684,826	-	-	684,826
	<u>998,294</u>	<u>143,349</u>	<u>-</u>	<u>1,141,643</u>	<u>1,031,558</u>	<u>101,792</u>	<u>-</u>	<u>1,133,350</u>
Special events	13,090	-	-	13,090	5,000	-	-	5,000
Less direct costs	1,410	-	-	1,410	35	-	-	35
	<u>11,680</u>	<u>-</u>	<u>-</u>	<u>11,680</u>	<u>4,965</u>	<u>-</u>	<u>-</u>	<u>4,965</u>
Grants from governmental agencies	81,323	-	-	81,323	81,372	-	-	81,372
Other revenue:								
Fees	21,504	-	-	21,504	50,916	-	-	50,916
Miscellaneous	1,023	-	-	1,023	2,833	-	-	2,833
	<u>22,527</u>	<u>-</u>	<u>-</u>	<u>22,527</u>	<u>53,749</u>	<u>-</u>	<u>-</u>	<u>53,749</u>
Net assets released from restrictions	82,762	(82,762)	-	-	136,000	(120,000)	(16,000)	-
Total revenues, gains and other support	<u>1,196,586</u>	<u>60,587</u>	<u>-</u>	<u>1,257,173</u>	<u>1,307,644</u>	<u>(18,208)</u>	<u>(16,000)</u>	<u>1,273,436</u>
Expenses:								
Program services -								
Community legal assistance	1,127,048	-	-	1,127,048	1,149,363	-	-	1,149,363
Supporting services:								
Management and general	76,631	-	-	76,631	88,864	-	-	88,864
Fund raising	22,294	-	-	22,294	42,420	-	-	42,420
Total supporting services	<u>98,925</u>	<u>-</u>	<u>-</u>	<u>98,925</u>	<u>131,284</u>	<u>-</u>	<u>-</u>	<u>131,284</u>
Total expenses	<u>1,225,973</u>	<u>-</u>	<u>-</u>	<u>1,225,973</u>	<u>1,280,647</u>	<u>-</u>	<u>-</u>	<u>1,280,647</u>
Change in net assets	(29,387)	60,587	-	31,200	26,997	(18,208)	(16,000)	(7,211)
Net assets - beginning of year	274,117	101,792	-	375,909	247,120	120,000	16,000	383,120
Net assets - end of year	<u>\$ 244,730</u>	<u>\$ 162,379</u>	<u>\$ -</u>	<u>\$ 407,109</u>	<u>\$ 274,117</u>	<u>\$ 101,792</u>	<u>\$ -</u>	<u>\$ 375,909</u>

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

COMMUNITY LAW CENTER, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ 31,200	\$ (7,211)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,778	12,424
(Increase) decrease in:		
Accounts receivable	(498)	1,348
Grants receivable	147	(94)
Contributions receivable	(44,983)	(3,270)
Prepaid expenses and deposits	(671)	(858)
Restricted cash	-	16,000
Increase (decrease) in:		
Accounts payable	410	(1,491)
Accrued expenses	7,407	(2,067)
Agency transaction payable	-	(25,000)
	<u>5,790</u>	<u>(10,219)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities -		
Capital expenditures	<u>(1,049)</u>	<u>(33,824)</u>
Net cash used in investing activities	<u>(1,049)</u>	<u>(33,824)</u>
Net increase (decrease) in cash	4,741	(44,043)
Cash and cash equivalents - beginning of year	<u>239,698</u>	<u>283,741</u>
Cash and cash equivalents - end of year	<u>\$ 244,439</u>	<u>\$ 239,698</u>

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

COMMUNITY LAW CENTER, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	YEAR ENDED DECEMBER 31, 2013				YEAR ENDED DECEMBER 31, 2012			
	Program Services	Supporting Services		Total	Program Services	Supporting Services		Total
	Community Legal Assistance	Management and General	Fund Raising		Community Legal Assistance	Management and General	Fund Raising	
Payroll and payroll related	\$ 390,470	\$ 47,924	\$ 18,029	\$ 456,423	\$ 376,490	\$ 47,382	\$ 34,368	\$ 458,240
Professional fees	-	16,546	-	16,546	-	28,987	-	28,987
Contributed professional fees	638,999	-	-	638,999	684,826	-	-	684,826
Supplies	3,333	385	145	3,863	2,267	285	207	2,759
Occupancy	54,659	6,709	2,524	63,892	48,573	6,113	4,434	59,120
Telephone	6,774	831	313	7,918	526	66	48	640
Postage, printing and promotion	5,887	723	272	6,882	5,721	720	522	6,963
Equipment maintenance	8,827	1,083	408	10,318	13,846	2,195	1,650	17,691
Dues, library and publications	4,057	-	-	4,057	3,904	-	-	3,904
Miscellaneous	3,110	1,088	99	4,297	3,002	1,281	260	4,543
Depreciation	10,932	1,342	504	12,778	10,208	1,285	931	12,424
Bad debt	-	-	-	-	-	550	-	550
	\$ 1,127,048	\$ 76,631	\$ 22,294	\$ 1,225,973	\$ 1,149,363	\$ 88,864	\$ 42,420	\$ 1,280,647

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) a non-profit law firm, provides legal services to community and non-profit organizations throughout Maryland to promote stronger non-profits and more vibrant neighborhoods. The clients served by the Organization range from small, unfunded neighborhood associations to more complex non-profit housing developers. The clients typically work in low-income neighborhoods and are seeking to provide solutions to problems found in their communities. The Organization is the only legal services provider in Maryland that provides assistance solely to groups. The Organization does not represent individuals.

The Organization provides direct legal representation for clients by staff attorneys through the Community Legal Services Program as well as the infrastructure to recruit, train and match volunteer attorneys to clients through the Pro Bono Program. The Pro Bono Program enhances and expands the amount of services provided by the Organization, allowing the Organization to efficiently offer high-quality legal services to many more clients than staff alone could accommodate. Pro Bono Program staff prepares clients and their cases to be ready for pro bono representation, and follow up with both the client and attorney throughout the course of the case.

Legal services are provided to clients for free following the cost of an application fee, which varies based on the size of the client's budget. Clients' cases include: drafting organizational documents (incorporation, bylaws revisions, application for 501(c)(3) status); negotiating Community Benefits Agreements; reviewing contracts and leases, assisting with vacant property acquisition and rehabilitation and vacant lot greening; litigating nuisance abatement complaints, zoning, and liquor board appeals; and any other legal matter faced by a neighborhood or nonprofit organization in Maryland.

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.

COMMUNITY LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1 - Summary of Significant Accounting Policies (continued)

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.

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) to ten (10) years using the straight-line method. The Organization uses the direct expensing method to account for planned major maintenance activities.

COMMUNITY LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1 - Summary of Significant Accounting Policies (continued)

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.

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. When material, 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.

2 - 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 restriction expired December 31, 2012 and the funds have been released from restriction and are included as unrestricted net assets on the statement of financial position.

3 - 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.

COMMUNITY LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4 - 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.

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.

5 - Commitments

The Organization rents office space under a lease for approximately \$ 5,550 per month expiring January 31, 2014. Subsequently, the Organization exercised an option to renew the lease for five (5) years beginning February 2014. The new lease term ends February 28, 2019 with monthly payments increasing three (3) percent every February. The Organization has one (1) five (5) year option to renew the lease. Rent expense was \$ 66,419 and \$ 64,516, which is net of sublease income of \$ 24,361 and \$ 23,598, for the years ended December 31, 2013 and 2012, respectively.

Future minimum lease rentals are as follows:

2014	\$ 67,334
2015	68,556
2016	69,534
2017	70,577
2018	71,635
Thereafter	\$ 12,133

6 - Line of Credit

The Organization has a line of credit with an interest rate of 6.75% and a limit of \$ 50,000 which is secured by all of the assets of the Organization. The balance was \$ 0 at December 31, 2013 and 2012.

COMMUNITY LAW CENTER, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

7 - Temporarily Restricted Net Assets

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

	2013	2012
Time	\$ 125,000	\$ 80,000
Publications/promotional material	-	10,000
Legislative audit - salaries	18,349	-
Neighborhood revitalization	-	6,792
Spring event - 2013	-	5,000
Litigation - salaries	19,030	-
	162,379	\$ 101,792

8 - Sublease

In January 2011, the Organization began leasing, on a month to month basis, part of its facilities under a sub-lease agreement. Monthly rental payments are \$ 1,417 beginning in January increasing 3% in February of the following year. Subsequently, a new lease was signed starting February 2014 and expires February 2019. The sublease also requires the sub-tenant to pay part of the operating costs of the facility. The sublease revenue reduces occupancy costs on the statements of functional expenses. Future minimum rentals to be received are as follows for the year ending December 31,:

2014	26,326
2015	26,944
2016	27,581
2017	28,237
2018	28,913
Thereafter	\$ 2,414

9 - Reclassification

Certain amounts pertaining to 2012 have been reclassified to conform to current year presentation.

COMMUNITY LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10 - Property and Equipment

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

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 63,252	\$ 72,662
Computer equipment	26,702	25,653
Computer software	8,171	8,171
	<u>98,125</u>	<u>106,486</u>
Less accumulated depreciation	<u>70,467</u>	<u>67,099</u>
	<u><u>27,658</u></u>	<u><u>39,387</u></u>

11 - Permanently and Temporarily Restricted Net Assets Released From Restrictions

Permanently and temporarily restricted net assets released from restriction consisted of the following at December 31,:

	<u>2013</u>	<u>2012</u>
Permanently restricted	<u>-</u>	<u>16,000</u>
Time	60,970	70,000
Publications/promotional materials	10,000	-
Technology and server upgrades	-	50,000
Neighborhood revitalization	6,792	-
Spring event - 2013	<u>5,000</u>	<u>-</u>
	<u><u>\$ 82,762</u></u>	<u><u>\$ 120,000</u></u>

12 - Donated Services

The Organization received donated legal services which benefited all aspects of the mission. Donated legal services recorded in the financial statements totaled \$ 638,999 and \$ 684,826 for 3,209 and 3,117 hours for the years ended December 31, 2013 and 2012, respectively.

COMMUNITY LAW CENTER, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

13 - Contributions Receivable

Contributions receivable consisted of unconditional promises to give to be received within one year. The balance of contributions receivable was \$ 125,308 and \$ 80,325 at December 31, 2013 and 2012, respectively.

14 - Subsequent Events

The Organization has evaluated subsequent events through the date the financial statements were available to be issued on April 17, 2014 and determined that there are no events that require disclosure.