FINANCIAL STATEMENTS

CLASP
policy solutions that work for low-income people

FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Center for Law and Social Policy
Washington, D.C.

We have audited the accompanying financial statements of the Center for Law and Social Policy (CLASP), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 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.

Auditor's Responsibility

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 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 CLASP as of December 31, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited CLASP's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 20, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

May 3, 2018

CENTER FOR LAW AND SOCIAL POLICY

STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS

	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	$ 6,297,417	$ 5,118,479
Investments	-	6,635
Receivables:		
Grants receivable, current portion	2,029,240	3,411,521
Other receivables	11,857	43,685
Prepaid expenses	114,076	100,917
Total current assets	8,452,590	8,681,237
FURNITURE AND EQUIPMENT		
Furniture and equipment	472,548	411,433
Less: Accumulated depreciation and amortization	(329,243)	(265,396)
Net furniture and equipment	143,305	146,037
NON-CURRENT ASSETS		
Grants receivable, net of current portion	502,392	216,867
Deposits	39,160	39,160
Total non-current assets	541,552	256,027
TOTAL ASSETS	**$ 9,137,447**	**$ 9,083,301**

LIABILITIES AND NET ASSETS

	2017	2016
CURRENT LIABILITIES		
Capital lease obligation, current portion	$ 30,170	$ 26,616
Accounts payable and accrued liabilities	109,466	269,723
Accrued salaries and related benefits	181,257	176,051
Current portion of deferred rent abatement	41,584	30,133
Total current liabilities	362,477	502,523
NON-CURRENT LIABILITIES		
Capital lease obligation, long-term portion	19,903	50,073
Deferred rent abatement	83,484	125,077
Total non-current liabilities	103,387	175,150
Total liabilities	465,864	677,673
NET ASSETS		
Unrestricted	1,661,565	1,267,205
Temporarily restricted	7,010,018	7,138,423
Total net assets	8,671,583	8,405,628
TOTAL LIABILITIES AND NET ASSETS	**$ 9,137,447**	**$ 9,083,301**

See accompanying notes to financial statements.

CENTER FOR LAW AND SOCIAL POLICY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Foundation grants	$ 234,667	$ 7,009,827	$ 7,244,494	$ 9,505,183
Contributions	146,292	-	146,292	117,317
Investment income	6,428	-	6,428	6,855
Other revenue	12,191	-	12,191	17,951
Net assets released from donor restrictions	6,936,886	(6,936,886)	-	-
Total revenue	7,336,464	72,941	7,409,405	9,647,306
EXPENSES				
Program Services	6,101,579	-	6,101,579	5,947,501
Supporting Services:				
Management and General	245,088	-	245,088	202,366
Fundraising	595,437	-	595,437	554,800
Total supporting services	840,525	-	840,525	757,166
Total expenses	6,942,104	-	6,942,104	6,704,667
Change in net assets before other item	394,360	72,941	467,301	2,942,639
OTHER ITEM				
Cancellation of funder awards	-	(201,346)	(201,346)	-
Change in net assets	394,360	(128,405)	265,955	2,942,639
Net assets at beginning of year	1,267,205	7,138,423	8,405,628	5,462,989
NET ASSETS AT END OF YEAR	$ 1,661,565	$ 7,010,018	$ 8,671,583	$ 8,405,628

See accompanying notes to financial statements.

CENTER FOR LAW AND SOCIAL POLICY

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017					2016
		Supporting Services				
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries	$ 2,326,043	$ 627,341	$ 257,220	$ 884,561	$ 3,210,604	$ 2,933,833
Benefits	434,883	177,142	48,020	225,162	660,045	521,279
Payroll taxes	176,356	71,370	19,677	91,047	267,403	218,458
Occupancy	392,639	158,898	-	158,898	551,537	466,939
Contributions	2,760	2,176	1,000	3,176	5,936	5,179
Supplies	16,139	14,686	430	15,116	31,255	36,008
Postage and delivery	2,077	1,776	658	2,434	4,511	3,940
Printing and production	5,645	1,420	7,642	9,062	14,707	6,556
Meetings and conventions	175,185	33,478	7,465	40,943	216,128	213,458
Consulting fees	346,614	53,368	108,877	162,245	508,859	898,518
Professional fees	119,050	75,790	-	75,790	194,840	236,800
Subgrants	923,851	-	-	-	923,851	770,000
Telephone	29,057	12,583	-	12,583	41,640	41,345
Travel and entertainment	95,813	4,497	573	5,070	100,883	166,125
Subscriptions and publications	9,753	33,179	3,553	36,732	46,485	17,378
Depreciation and amortization	45,451	18,396	-	18,396	63,847	49,715
Dues and registration	13,353	6,126	8,103	14,229	27,582	36,813
Repairs and maintenance	13,477	5,454	-	5,454	18,931	17,286
Insurance	10,541	4,266	-	4,266	14,807	12,116
Interest expense	5,817	2,354	-	2,354	8,171	11,304
Other	11,553	367	-	367	11,920	1,528
Temporary help	-	15,286	227	15,513	15,513	40,089
Web redesign	604	2,045	-	2,045	2,649	-
Subtotal	5,156,661	1,321,998	463,445	1,785,443	6,942,104	6,704,667
Allocation of management and general	944,918	(1,076,910)	131,992	(944,918)	-	-
TOTAL	**$ 6,101,579**	**$ 245,088**	**$ 595,437**	**$ 840,525**	**$ 6,942,104**	**$ 6,704,667**

See accompanying notes to financial statements.

CENTER FOR LAW AND SOCIAL POLICY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 265,955	$ 2,942,639
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	63,847	49,715
Realized and unrealized loss (gain) on investments	65	(1,720)
Change in discount on long-term grants receivable	14,475	(11,169)
Decrease (increase) in:		
Grants receivable	1,082,281	(1,705,886)
Other receivables	31,828	82,587
Prepaid expenses	(13,159)	82,900
(Decrease) increase in:		
Accounts payable and accrued liabilities	(160,257)	60,854
Accrued salaries and related benefits	5,206	13,322
Deferred rent abatement	(30,142)	(18,995)
Net cash provided by operating activities	1,260,099	1,494,247
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(61,115)	(53,544)
Purchases of investments	(2,038)	(10,826)
Proceeds from sales of investments	8,608	293,057
Net cash (used) provided by investing activities	(54,545)	228,687
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on capital lease obligations	(26,616)	(23,485)
Net cash used by financing activities	(26,616)	(23,485)
Net increase in cash and cash equivalents	1,178,938	1,699,449
Cash and cash equivalents at beginning of year	5,118,479	3,419,030
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 6,297,417**	**$ 5,118,479**
SUPPLEMENTAL INFORMATION		
Interest Paid	**$ 8,171**	**$ 11,304**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Center for Law and Social Policy (CLASP) is a non-profit organization, incorporated under the laws of the District of Columbia. CLASP was established to concentrate on meeting the problems of minorities and the poor through education, research and legal representation.

Currently, CLASP undertakes education, policy research, training, technical assistance, analyses and reports for use by advocates, non-profit organizations, Federal, state and local officials and research and evaluation entities; these are developed to improve lives of low-income children, youth, adults and families.

Basis of accounting -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CLASP's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash and cash equivalents -

CLASP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of $250,000. At times during the year, CLASP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Grants receivable -

Grants receivable is recorded at the net present value which approximates fair value. Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in foundation grant revenue. All grants receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Furniture and equipment -

Furniture and equipment in excess of $1,000 are capitalized and are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Furniture and equipment (continued) -

Amortization of assets held under capital leases is included with depreciation expense. The cost of maintenance and repairs is recorded as expenses are incurred.

Net assets classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of CLASP and include both internally designated and undesignated resources.

- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of CLASP and/or the passage of time. When a restriction expires, 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.

Contributions and grants -

Contributions and grants are recorded as revenue in the year notification is received from the donor.

Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions.

Such contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Income taxes -

CLASP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. CLASP is not a private foundation.

Uncertain tax positions -

For the year ended December 31, 2017, CLASP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncement (not yet adopted) -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting *Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958),* intended to improve financial reporting for not-for-profit entity. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments.

The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of CLASP's financial statements, it is not expected to alter CLASP's reported financial position activities.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. CLASP has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

CLASP plans to adopt the new ASUs at the respective required implementation dates.

2. GRANTS RECEIVABLE

All grants receivable are considered to be collectable within one-year, unless otherwise stated by the donor. Management is of the opinion that all grants receivable are collectable.

Following is a summary, by years, of grants receivable as of December 31, 2017:

Year Ending December 31,	
2018	$ 2,029,240
2019	525,000
	2,554,240
Less: Discount on long-term receivables	(22,608)
GRANTS RECEIVABLE, NET	**$ 2,531,632**

3. CAPITAL LEASES

In 2014, CLASP entered into two capital lease obligations for copiers due to expire in 2019.

As of December 31, 2017, the cost and related accumulated amortization of the leased assets were $128,563 and $94,279, respectively.

Future minimum lease payments at December 31, 2017 are as follows:

Year Ending December 31,	
2018	$ 34,788
2019	20,758
	55,546
Less: Interest	(5,473)
	50,073
Less: Current portion	(30,170)
LONG-TERM PORTION	**$ 19,903**

4. COMMITMENTS

In December 2009, CLASP signed a lease for office space under a ten-year agreement, which commenced in May 2010. Base rent is $41,463 per month, increasing by a factor of 2% per year, plus a proportionate share of expenses. Rent for May and June 2010 was abated. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the Statement of Financial Position. The current and long-term portion of deferred rent for the year ended December 31, 2017 was $41,584 and $83,484, respectively.

4. COMMITMENTS (Continued)

At December 31, 2017, the future minimum rental payments required under these lease is as follows:

Year Ending December 31,	
2018	$ 579,218
2019	590,746
2020	299,271
	$ 1,469,235

In May 2010, CLASP entered into two sublease agreements, with CLASP acting as the sub-landlord for both. Both sub-leases were terminated during the year ended December 31, 2017.

Rent expense for the year ended December 31, 2017 totaled $510,899, net of rental income of $40,638.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

David and Lucile Packard Foundation	$ 285,000
George Gund Foundation	190,000
Chabot-Las Positas Community College District	75,000
Andrus Family Foundation	166,668
Alliance for Early Success	170,000
Ford Foundation	259,500
The Kresge Foundation	1,448,470
Heising-Simons Foundation	334,519
Research for Action	303,923
W. K. Kellogg Foundation	484,519
Family Values at Work	65,000
JP Morgan Chase Foundation	600,000
Chippewa Valley Technical College	61,125
James Irvine Foundation	280,000
Northwest Area Foundation	42,857
Foundation for Child Development	250,000
Center for American Progress	363,750
Achieving the Dream	13,334
Lumina Foundation	544,853
JPB Foundation	100,000
Fidelity Charity Trust	718,000
Irving Harris Foundation	100,000
Menemsha Family Fund	7,500
Allyn Family Foundation	6,000
Annie Casey Foundation	140,000
TOTAL TEMPORARILY RESTRICTED NET ASSETS	**$ 7,010,018**

6. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

Ford Foundation	$ 613,509
W.K. Kellogg Foundation	267,325
The George Gund Foundation	110,000
The Urban Institute	129,724
Research for Action	45,000
National Governors Association Center	439,731
Heising-Simons Foundation	265,481
Lumina Foundation	155,147
Workforce Enterprise Services	15,000
Irving Harris Foundation	45,000
Foundation for Child Development	150,000
Alliance for Early Success	410,000
Annie E. Casey Foundation	235,000
Fidelity Charity Trust	1,142,500
Frontline Solutions	100,000
Education Commission of the States	245,000
Charles & Lynn Schusterman Family Foundation	100,000
JP Morgan Chase Foundation	259,344
Chippewa Valley Technical College	52,000
Doris Duke Charities	27,777
David & Lucile Packard Foundation	15,000
Family Values at Work	5,000
JPB Foundation	100,000
Allyn Family Foundation	4,000
Andrus Family Foundation	33,332
Anonymous via Wellspring Advisors	750,000
Achieving the Dream	100,238
Center for Community Change	60,000
Chabot - Las Positas Community College District	167,500
Minnesota Workforce Council Association	35,000
The Kresge Foundation	30,000
National Council for Workforce Education	5,900
Center for American Progress	402,735
Northwest Area Foundation	57,143
James Irvine Foundation	320,000
Menemsha Family Fund	7,500
ACLS Fellowship	36,000
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**$ 6,936,886**

7. CANCELLATION OF FUNDER AWARDS

During the year ended December 31, 2017, CLASP entered into separation agreements with two donors for funds obligated to the organization in prior periods. Under these agreements, CLASP was released from future performance and not entitled to any future payments under these awards.

7. CANCELLATION OF FUNDER AWARDS (Continued)

The amount de-obligated under the prior commitments totaled $201,346 during the year ended December 31, 2017. These amounts are included in the Statement of Activities and Change in Net Assets as Return of Funds to Donor.

8. PENSION PLAN

CLASP has a defined contribution retirement plan, which covers all eligible employees. Employer contributions are discretionary. Total contributions to the plan for the year ended December 31, 2017 were $115,563.

9. SUBSEQUENT EVENTS

In preparing these financial statements, CLASP has evaluated events and transactions for potential recognition or disclosure through May 3, 2018, the date the financial statements were issued.