

CHILD WELFARE LEAGUE OF AMERICA, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

CHILD WELFARE LEAGUE OF AMERICA, INC.
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YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Welfare League of America, Inc.
Washington, DC

We have audited the accompanying statements of financial position of Child Welfare League of America, Inc. (CWLA) as of September 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of CWLA's management. 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 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 audits provide 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 CWLA at September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

LarsonAllen LLP
LarsonAllen LLP

Arlington, Virginia
February 22, 2011

CHILD WELFARE LEAGUE OF AMERICA, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash and Cash Equivalents	\$ 114,560	\$ 188,471
Grants and Accounts Receivable, Net	389,858	1,416,539
Inventory	174,191	216,739
Travel Advances, Deposits and Other Assets	173,938	77,447
Prepaid Sublease Commission	-	26,928
Investments	2,009,843	2,097,450
Property and Equipment, Net	74,684	716,691
Total Assets	\$ 2,937,074	\$ 4,740,265
LIABILITIES AND NET ASSETS		
LIABILITIES		
Capital Lease Obligations	\$ 110,562	\$ 109,703
Accounts Payable and Accrued Expenses	1,096,725	875,337
Rent Payable	426,180	246,557
Accrued Pension Plan	793,786	889,772
Accrued Payroll	266,115	268,138
Borrowing Under Line of Credit	1,533,348	1,252,320
Lease Cancellation Note Payable	422,000	-
Deferred Revenue	387,931	406,171
Deferred Rent	8,795	1,189,199
Total Liabilities	5,045,442	5,237,197
NET ASSETS (DEFICITS)		
Unrestricted	(4,198,484)	(3,644,850)
Temporarily Restricted	182,002	1,239,804
Permanently Restricted	1,908,114	1,908,114
Total Net Deficit	(2,108,368)	(496,932)
Total Liabilities and Net Assets	\$ 2,937,074	\$ 4,740,265

See accompanying Notes to Financial Statements.

CHILD WELFARE LEAGUE OF AMERICA, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Grants	\$ 1,910,606	\$ 150,000	\$ -	\$ 2,060,606	\$ 2,433,978	\$ 1,218,216	\$ -	\$ 3,652,194
Membership Dues	2,093,647	-	-	2,093,647	2,470,284	-	-	2,470,284
Consultation and Training	404,112	-	-	404,112	479,435	-	-	479,435
Publication Sales	501,888	-	-	501,888	656,533	-	-	656,533
Conferences	416,147	-	-	416,147	435,245	-	-	435,245
Contributions	727,827	79,445	-	807,272	709,179	-	-	709,179
Rental Fees	262,844	-	-	262,844	281,508	-	-	281,508
Advertising	12,843	-	-	12,843	23,761	-	-	23,761
Miscellaneous	50,256	-	-	50,256	40,946	-	-	40,946
Investment Income	791	-	-	791	18,391	-	-	18,391
In-Kind Services	34,494	-	-	34,494	60,296	-	-	60,296
Subtotal	6,415,455	229,445	-	6,644,900	7,609,556	1,218,216	-	8,827,772
NET ASSETS RELEASED FROM RESTRICTIONS	646,457	(646,457)	-	-	191,013	(171,413)	(19,600)	-
Total Support and Revenue	7,061,912	(417,012)	-	6,644,900	7,800,569	1,046,803	(19,600)	8,827,772
EXPENSE								
Program Services	1,150,441	-	-	1,150,441	995,458	-	-	995,458
Consultation	4,855,389	-	-	4,855,389	5,837,326	-	-	5,837,326
Education	74,577	-	-	74,577	74,954	-	-	74,954
Research	6,080,407	-	-	6,080,407	6,907,738	-	-	6,907,738
Total Program Services	11,150,664	-	-	11,150,664	13,710,310	-	-	13,710,310
Supporting Services	268,874	-	-	268,874	215,129	-	-	215,129
Management and General	1,419,538	-	-	1,419,538	1,625,439	-	-	1,625,439
Fundraising	7,499,945	-	-	7,499,945	8,533,177	-	-	8,533,177
Total Supporting Services	9,188,137	-	-	9,188,137	9,373,745	-	-	9,373,745
CHANGE IN NET ASSETS FROM OPERATIONS	(438,033)	(417,012)	-	(855,045)	(732,608)	1,046,803	(19,600)	294,595
Cancellation of Grant	-	(640,790)	-	(640,790)	-	-	-	-
Cancellation of Lease Agreement	(492,000)	-	-	(492,000)	-	-	-	-
Cancellation of Lease, Net	635,946	-	-	635,946	-	-	-	-
Real Estate Tax Accrual	(52,520)	-	-	(52,520)	-	-	-	-
Additional Minimum Pension Decrease (Increase)	(207,027)	-	-	(207,027)	(59,404)	-	-	(59,404)
CHANGE IN NET ASSETS	(553,634)	(1,057,802)	-	(1,611,436)	(792,012)	1,046,803	(19,600)	235,191
Net Assets (Deficits) - Beginning of Year	(3,644,850)	1,239,804	1,908,114	(496,932)	(2,852,838)	193,001	1,927,714	(732,123)
NET ASSETS (DEFICITS) - END OF YEAR	\$ (4,198,484)	\$ 182,002	\$ 1,908,114	\$ (2,108,368)	\$ (3,644,850)	\$ 1,239,804	\$ 1,908,114	\$ (496,932)

See accompanying Notes to Financial Statements.

CHILD WELFARE LEAGUE OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2010
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2009)

	Program Services			Total Program Services		Management and General		Support Services		Total Support Services		2010	2009
	Consultation	Education	Research	Services	and General	Fundraising	Services	Total	2009				
Salaries	\$ 430,209	\$ 1,695,529	\$ 25,306	\$ 2,151,044	\$ 403,985	\$ 50,612	\$ 454,597	\$ 2,605,641	\$ 3,502,023				
Employee Benefits and Payroll Taxes	108,020	362,185	6,354	476,559	108,020	50,833	158,853	635,412	921,517				
Total Personnel Costs	538,229	2,057,714	31,660	2,627,603	512,005	101,445	613,450	3,241,053	4,423,540				
Professional Fees	200,001	788,241	11,765	1,000,007	174,172	2,300	176,472	1,176,479	608,230				
Travel, Field Trips, Conferences and Meetings	119,714	401,394	7,042	528,150	119,714	56,336	176,050	704,200	839,292				
Occupancy	170,206	570,691	10,012	750,909	170,206	80,097	250,303	1,001,212	1,061,636				
Fulfillment Services	-	92,370	-	92,370	-	-	-	92,370	129,004				
Outside Printing and Artwork	16,115	54,032	948	71,095	16,115	7,583	23,698	94,793	434,800				
Grants, Scholarships and Subcontracts (Recovery) Write-off Obsolete Inventory	-	391,129	-	391,129	-	-	-	391,129	(70,994)				
Royalty Payments	-	(29,167)	-	(29,167)	-	-	-	(29,167)	22,959				
Equipment Rental and Maintenance	-	6,761	-	6,761	-	-	-	6,761	104,885				
Telephone	17,603	60,574	8,102	86,279	2,233	470	2,703	88,982	91,052				
Cost of Good Sold and Obsolete Inventory	15,121	50,699	889	66,709	28,726	8,077	36,803	103,512	183,831				
Interest	-	113,645	-	113,645	-	-	-	113,645	44,556				
Postage and Shipping	7,632	30,080	418	38,130	25,314	-	25,314	25,314	45,719				
Investment Management and Bank Fees	-	-	-	-	5,869	897	6,766	44,896	37,832				
Advertising	-	293	-	293	41,462	-	41,462	41,462	3,622				
Supplies	5,349	21,080	478	26,907	3,927	629	4,556	31,483	52,289				
Honorariums	680	2,680	-	3,360	640	-	640	4,000	42,025				
Insurance	5,928	23,362	471	29,761	4,412	697	5,109	34,870	51,556				
Subscriptions and Reference Publications	1,630	6,422	60	8,112	1,283	191	1,474	9,586	6,540				
Mailhouse Charges	-	15,700	-	15,700	-	-	-	15,700	3,284				
Membership Dues	10,569	41,655	150	52,374	9,447	350	9,797	15,700	16,465				
Other	13,887	46,561	817	61,265	13,884	6,535	20,419	62,171	25,036				
Total Expense Before Depreciation	1,122,654	4,745,916	72,812	5,941,392	1,129,553	265,607	1,395,160	7,336,552	8,339,966				
Depreciation	27,777	109,473	1,765	139,015	21,111	3,267	24,378	163,393	193,211				
Total Expense	\$ 1,150,441	\$ 4,855,389	\$ 74,577	\$ 6,080,407	\$ 1,150,664	\$ 268,874	\$ 1,419,538	\$ 7,499,945	\$ 8,533,177				

See accompanying Notes to Financial Statements.

CHILD WELFARE LEAGUE OF AMERICA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 2008)

	Program Services			Support Services		Total			
	Consultation	Education	Research	Program Services	Management and General	Fundraising	Support Services		
Salaries	\$ 451,925	\$ 2,355,727	\$ 31,991	\$ 2,839,643	\$ 565,546	\$ 96,834	\$ 662,380	\$ 3,502,023	\$ 3,795,499
Employee Benefits and Payroll Taxes	118,919	619,882	8,418	747,219	148,817	25,481	174,298	921,517	820,737
Total Salaries and Benefits	570,844	2,975,609	40,409	3,586,862	714,363	122,315	836,678	4,423,540	4,616,236
Professional Fees	78,490	409,142	5,556	493,188	98,224	16,818	115,042	608,230	1,080,815
Travel, Field Trips, Conferences, and Meetings	108,308	564,572	7,667	680,547	135,538	23,207	158,745	839,292	842,359
Occupancy	137,001	714,137	9,698	860,836	171,445	29,355	200,800	1,061,636	998,022
Fulfillment Services	-	129,004	-	129,004	-	-	-	129,004	110,463
Bad Debt	18,233	39,448	5,777	63,458	-	3,304	3,304	66,762	254,509
Outside Printing and Artwork	-	434,800	-	434,800	-	-	-	434,800	55,995
Grants, Scholarships and Subcontracts	-	(70,994)	-	(70,994)	-	-	-	(70,994)	107,167
Write-off Obsolete Inventory	-	22,959	-	22,959	-	-	-	22,959	240,000
Royalty Payments	-	-	-	-	104,885	-	104,885	104,885	38,701
Temporary Help	14,975	78,061	1,060	94,096	18,740	3,209	21,949	116,045	420,611
Equipment Rental and Maintenance	11,750	61,248	832	73,830	14,704	2,518	17,222	91,052	83,931
Telephone	-	183,831	-	183,831	-	-	-	183,831	186,133
Cost of Good Sold	-	-	-	-	44,556	-	44,556	44,556	115,185
Interest	5,900	30,754	418	37,072	7,383	1,264	8,647	45,719	71,388
Postage and Shipping	-	-	-	-	37,832	-	37,832	37,832	48,302
Investment Management and Bank Charges	-	1,062	-	1,062	125	2,435	2,560	3,622	37,135
Advertising	6,748	35,173	478	42,399	8,444	1,446	9,890	52,289	20,124
Supplies	5,423	28,269	384	34,076	6,787	1,162	7,949	42,025	100,339
Honorariums	6,653	34,680	471	41,804	8,326	1,426	9,752	51,556	17,841
Insurance	844	4,399	60	5,303	1,056	181	1,237	6,540	65,992
Subscriptions and Reference Publications	-	3,284	-	3,284	-	-	-	3,284	37,368
Mallhouse Charges	2,125	11,076	150	13,351	2,659	455	3,114	16,465	-
Other	3,231	16,843	229	20,303	4,041	692	4,733	25,036	17,069
Total Expense Before Depreciation	970,525	5,707,357	73,189	6,751,071	1,379,108	209,787	1,588,895	8,339,966	9,603,195
Depreciation	24,933	129,969	1,765	156,667	31,202	5,342	36,544	193,211	201,298
Total Expenses	\$ 995,458	\$ 5,837,326	\$ 74,954	\$ 6,907,738	\$ 1,410,310	\$ 215,129	\$ 1,625,439	\$ 8,533,177	\$ 9,804,493

See accompanying Notes to Financial Statements.

CHILD WELFARE LEAGUE OF AMERICA, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (1,611,436)	\$ 235,191
Adjustments to Reconcile Change in Net Asset to Net Cash		
Used by Operating Activities:		
Depreciation and Amortization	163,393	193,211
Gain on Disposal of Property and Equipment	(10,550)	-
Realized and Unrealized Loss on Investments, Net	1,290	-
Donated Securities	-	(3,390)
Interest Expense Paid by Line of Credit	25,314	34,915
Interest Income Reinvested	-	(17,735)
Deferred Rent	(1,180,404)	(26,684)
Lease Cancellation	422,000	-
Loss on Leasehold Improvements	489,164	-
Grant Cancellation of Receivable	640,790	-
Recovery of Obsolete Inventory	(29,168)	(70,000)
Changes in Assets and Liabilities:		
(Increase) Decrease in Assets:		
Grants and Accounts Receivables	385,891	(284,199)
Inventory	71,716	94,446
Other Assets	(69,563)	(47,019)
Increase (Decrease) In Liabilities:		
Accounts Payable and Accrued Expenses	221,388	(289,605)
Rent Payable	179,623	-
Accrued Payroll	(2,023)	(83,819)
Accrued Pension Liability	(95,986)	31,529
Deferred Revenue	(18,240)	(368,742)
Net Cash Used by Operating Activities	(416,801)	(601,901)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(1,970,000)	-
Proceeds from Sale of Investments	2,056,317	-
Purchase of Property and Equipment	-	(16,865)
Net Cash Provided (Used) by Investing Activities	86,317	(16,865)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net, Proceeds and Payments on Line of Credit	255,714	-
Payment of Capital Lease Obligation	859	(47,336)
Net Cash Provided (Used) by Financing Activities	256,573	(47,336)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(73,911)	(666,102)
Cash and Cash Equivalents - Beginning of Year	188,471	854,573
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 114,560	\$ 188,471
SUPPLEMENTAL INFORMATION		
Cash Paid for Interest	\$ 25,314	\$ 44,556

See accompanying Notes to Financial Statements.

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Child Welfare League of America, Inc. (CWLA) was incorporated in New York in 1928 as a not-for-profit corporation. CWLA (1) formulates and advocates public policies that benefit all children, (2) meets the needs of children and families by strengthening membership of CWLA-affiliated agencies and individuals, (3) strives to ensure sensitivity to the cultural and ethnic diversity of the people who participate in its programs, services, and activities, and (4) develops and promotes standards to improve child welfare practices that make life better for troubled children, youth, and their families.

The following program services are included in the accompanying statement of activities:

- Consultation: CWLA offers services to public and private child welfare agencies to strengthen formal and informal systems of care, and offers special services aimed at enhancing management and operation.
- Education: Through regional training academies, professional development institutes, conferences and technical assistance, CWLA enhances the professional development of practitioners who care for, treat, and educate vulnerable children and families.
- Research: CWLA researches current issues related to child welfare and how to engage people everywhere in meeting the five universal needs of all children: basics, relationships, opportunities, safety and healing.

Financial Statement Presentation

CWLA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted - Those resources over which the Board of Directors has discretionary control. The Board designated amounts represent those revenues which the Board has set aside for a particular purpose.

Temporarily Restricted - Those resources subject to donor imposed restrictions which will be satisfied by actions of CWLA or passage of time.

Permanently Restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by CWLA. The donors of these resources permit CWLA to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

CWLA treats all contributions in which the restrictions are met in the current year as unrestricted contributions.

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

Cash and Cash Equivalents

CWLA considers funds in money market funds to be cash equivalents. In addition, a portion of the investment portfolio may be invested in cash equivalents and has been reflected as Investments.

Grants and Accounts Receivable and Allowance for Doubtful Accounts

Receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a quarterly basis. CWLA receivables are comprised mainly of amounts billed on consultation contracts, publications and membership dues and costs in excess of amounts billed on federal grants, which are billable when expenditures are incurred. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 30 to 90 days, depending on the category of receivable. The provision for doubtful accounts at September 30, 2010 and 2009 is \$182,298 and \$114,535, respectively.

Investments

Investments are recorded at their readily determinable fair value. Realized and unrealized gains or losses are included in investment income.

Inventory

Inventory, consisting of completed publications and giftable items, is stated at the lower of cost or market. Cost is determined using the first in, first out (FIFO) method.

Property and Equipment

Expenditures for property and equipment in excess of \$1,000 are capitalized at cost and depreciated on a straight-line basis over their estimated useful lives ranging from 3 to 10 years. Leasehold improvements are amortized on a straight-line basis over the life of the lease, or estimated useful life of the improvement, whichever is less. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gains or losses are included in income.

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Uniform Prudent Management of Institutional Funds Act

During 2008 the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was enacted. In August 2008 the FASB released guidance on the classification of endowment fund net assets for states that have enacted versions of UPMIFA. Under UPMIFA all unappropriated endowment fund earnings are considered restricted.

This adoption had no impact upon CWLA as the board has traditionally allowed expenditure of all earnings from the endowment.

Deferred Revenue, Support and Revenue

CWLA receives grants in exchange for various services. Grant awards not yet received are accrued to the extent unreimbursed expenses have been incurred for the purposes specified by an approved grant. CWLA defers grant revenues received under approved awards from grantors to the extent they exceed expenses incurred for the purposes specified under the grant terms.

Membership dues and subscription revenue are recognized ratably over the applicable dues or subscription period which is on a calendar year or 12 months after payment is received, depending on the type of member and subscription. Revenue received for dues and subscriptions which relate to subsequent years has been reflected as deferred revenue.

Consultation and training fees are recognized at the time the consultation and training take place. Conference and seminar fees are recognized at the time of the conference or seminar. Amounts received in advance are recorded as deferred revenue. Publication revenue is recognized upon delivery of the material. Amounts received in advance are recorded as deferred revenue.

Government Fees and Grants

Government contracts are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as deferred revenue. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, CWLA will record such disallowance at the time the final assessment is made.

Service group revenues include private and government fees received for services provided to individuals, as well as grants, gifts, and service contracts with government agencies. Fee revenue and revenue under service contracts are recognized as services are performed.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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 as net assets released from restrictions. CWLA treats all contributions in which the restrictions are met in the current years as unrestricted contributions.

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In-Kind Contributions

CWLA recognizes donated materials. It also recognizes donated services that create or enhance non-financial assets or that require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. As of September 30, 2010 and 2009, an amount has been reflected in the statements of activities as a contribution for donated services with a like amount included as donated expense of \$34,494 and \$60,296, respectively. This amount is for professional services and has been allocated between program, administrative and fundraising services.

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 functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited.

Direct costs associated with specific programs are recorded as program expenses. Fringe benefits are allocated to specific programs based on salaries. Indirect costs are allocated based on direct costs.

Tax Exempt Status

CWLA has tax exempt status under Section 501(c)(3) of the Internal Revenue Code. In addition, CWLA qualifies for charitable contribution deductions and has been classified as an organization that is not a private foundation. Under current Internal Revenue Service regulations, advertising revenue, less applicable deductions, is subject to federal and state corporate income taxes. There was no net tax liability for unrelated business income for the years ended September 30, 2010 and 2009.

CWLA adopted the income tax standard for uncertain income tax positions on October 1, 2009. CWLA's income tax returns are subject to review and examination by federal and state authorities. CWLA is not aware of any activities that would jeopardize its tax-exempt status. CWLA is not aware of any activities that are subject to tax on unrelated business income or excise or other taxes. The tax returns for the fiscal years ended 2007 through 2009 are open to examination by federal and state authorities.

Subsequent Events

In preparing these financial statements, CWLA has evaluated events and transactions for potential recognition or disclosure through February 22, 2011, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

CWLA maintains cash balances at several commercial banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of September 30, 2010 and 2009, CWLA had balances in excess of insured limits of approximately \$0- and \$43,395, respectively.

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 3 INVESTMENTS

Investments at September 30, 2010 and 2009, consist of the following:

	<u>2010</u>	<u>2009</u>
Money Market Funds	\$ 41,133	\$ 2,097,450
Certificates of Deposit	1,968,710	-
	<u>\$ 2,009,843</u>	<u>\$ 2,097,450</u>

Investment income at September 30, 2010 and 2009 consists of the following:

	<u>2010</u>	<u>2009</u>
Realized and Unrealized Loss on Investments, Net	\$ (1,290)	\$ -
Interest and Dividends	2,081	18,391
Total	<u>\$ 791</u>	<u>\$ 18,391</u>

NOTE 4 FAIR VALUE MEASUREMENTS

CWLA measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). CWLA may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds, that the Organization has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

Level 3 – Inputs that are unobservable. Unobservable inputs reflect Organization’s own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

Financial instruments are categorized based on the inputs to the valuation technique as follows for the year ended September 30, 2010:

	2010			Total
	Level 1	Level 2	Level 3	
Investments:				
Certificates of Deposit	\$ -	\$ 1,968,710	\$ -	\$ 1,968,710

For the year ended September 30, 2009, CWLA did not hold any financial instruments that were valued at fair value.

NOTE 5 GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable consist of the following at September 30, 2010 and 2009:

	2010	2009
Consulting	\$ 109,721	\$ 147,853
Membership Dues	271,933	177,629
Grants	-	1,133,147
Publications	45,184	51,456
Conferences	58,655	-
Pledge	79,445	-
Other Receivable	7,218	20,989
Total	<u>572,156</u>	<u>1,531,074</u>
Less: Provision for Doubtful Accounts	182,298	114,535
Total	<u>\$ 389,858</u>	<u>\$ 1,416,539</u>

During the year ended September 30, 2010, there was a grant cancellation of \$640,790. This is reflected as a grant receivable as of September 30, 2009.

On September 30, 2010, CWLA entered into a non-interest bearing lease cancellation note payable (Note 8). The imputed interest of \$79,445 was determined using an interest rate of 3.75%. This amount was recorded as a pledge receivable and temporarily restricted net asset (Note 11).

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at September 30, 2010 and 2009:

	2010	2009
Leasehold Improvements	\$ -	\$ 689,276
Furniture and Equipment	345,614	364,621
Computers and Software	265,205	265,205
Total	610,819	1,319,102
Less: Accumulated Depreciation	536,135	602,411
Total Property and Equipment	\$ 74,684	\$ 716,691

Subsequent to year-end CWLA abandoned the leasehold improvements and reduced its deferred rent by relocating the offices under the agreement for lease cancellation.

NOTE 7 LINE OF CREDIT

On January 25, 2006, CWLA entered into an express line of credit agreement with the current investment advisor. The express line of credit is secured by the investment accounts of CWLA and is due on demand. CWLA has the ability to take advances that total in the aggregate 90% of the value of the investment accounts. CWLA may select an interest rate that is fixed for a specific period of time. Interest accrues daily on the outstanding principal and the rate will be based on the one-, three-, six- or twelve-month LIBOR rate as selected by CWLA, currently on a monthly rate. The fixed rate as of September 30, 2010 and 2009, is 3.75% and 1.27%, respectively. There is \$1,533,348 and \$1,252,320 advanced against the express line of credit at September 30, 2010 and 2009, respectively.

NOTE 8 NOTE PAYABLE

Effective September 30, 2010, CWLA entered into a note payable for \$422,000 for the cancellation fee related to the early termination on an office space lease. The note is non-interest bearing as long as the payments are made on a timely basis. The imputed interest of \$79,445 was determined using an interest rate of 3.75%. This amount was recorded as a pledge receivable (Note 5) and temporarily restricted net asset (Note 11). The future principal payments due are as follows:

Year Ending September 30,	
2011	\$ 30,000
2012	30,000
2013	30,000
2014	32,000
2015	42,000
Thereafter	258,000
	\$ 422,000

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 DEFERRED REVENUE

Deferred revenue consisted of the following at September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Membership Dues	\$ 387,931	\$ 356,830
Conferences and Seminar Fees	-	49,341
Total	<u>\$ 387,931</u>	<u>\$ 406,171</u>

NOTE 10 CAPITAL LEASES

CWLA entered into six capital leases for copiers, computer equipment and office furniture. These assets are included and reported in property and equipment in the statement of financial position. Amortization of assets under the capital leases are included in depreciation expense for the years ended September 30, 2010 and 2009.

A summary of capital leases as of September 30, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Capital Leases Payable -- CWLA is leasing equipment which required monthly payments of \$1,960 from May 2007 through April 2012, at an average interest rate of 5.33%. As of September 30, 2010, CWLA was in default on its lease contracts.	\$ 88,414	\$ 56,641
Capital Lease Payable -- CWLA is leasing hardware which requires monthly payments of \$1,401 from May 2007 through April 2012 and bears interest at 8.27%.	8,491	13,657
Capital Lease Payable -- CWLA is leasing office furniture which requires monthly payments of \$2,367 from March 2007 through March 2011 and bears interest at 10.04%.	<u>13,657</u>	<u>39,405</u>
Total Capital Leases	110,562	109,703
Less: Current Maturities	<u>(104,483)</u>	<u>(51,523)</u>
Capital Leases, Net of Current Maturities	<u>\$ 6,079</u>	<u>\$ 58,180</u>

In February 2011, CWLA entered into a payment plan agreement over its outstanding balances on its defaulted equipment leases. According to the agreement, CWLA will pay \$51,600, in monthly payments of \$1,075 from March 2011 to February 2015.

**CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 10 CAPITAL LEASES (CONTINUED)

The amount capitalized for lease arrangements and included in property and equipment in the statements of financial position as of September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 49,606	\$ 265,205
Less: Accumulated Depreciation	(24,356)	(145,411)
Equipment, Net	<u>\$ 25,250</u>	<u>\$ 119,794</u>

Future minimum lease payments under capital leases at September 30, 2010 are as follows:

4 Year Minimum Lease Payments		
<u>Year Ending September 30,</u>		
2011		\$ 104,483
2012		<u>6,079</u>
Total Payments		110,562
Less: Amount Representing Interest		<u>1,170</u>
Present Value of Minimum Lease Payments		109,392
Less: Current Portion		<u>(104,483)</u>
Total Long Term Portion		<u>\$ 4,909</u>

NOTE 11 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include donor restricted funds, which are only available for program services. Temporarily restricted net assets at September 30, 2010 and 2009, are available for the following programs:

	<u>2010</u>	<u>2009</u>
Fostering Healthy Connections - Mentoring Program	\$ 15,057	\$ 125,753
Research and Policy Advocacy in Child Welfare Issues	87,500	145,835
Imputed Interest on Lease Cancellation Note	79,445	-
Training and Technical Assistance	<u>-</u>	<u>968,216</u>
Total Temporarily Restricted	<u>\$ 182,002</u>	<u>\$ 1,239,804</u>

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original contribution provided by the donors to be retained for investment purpose with earnings available for general operations of the Organization.

Due to current economic conditions CWLA has invested its endowment in cash equivalents and certificates of deposit.

**CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009**

NOTE 12 PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Permanently restricted net assets at September 30, 2010 and 2009, consist of the following endowments:

	2010	2009
Hecht State Child Welfare Planning	\$ 781,919	\$ 781,919
George J. Hecht Restricted Fund	537,966	537,966
American Parents Committee	292,840	292,840
Mary Lowman Fund	164,116	164,116
Gralnick Fund	75,000	75,000
Beatrice Edison Fund	50,000	50,000
Other	6,273	6,273
Total	\$ 1,908,114	\$ 1,908,114

Earnings on permanently restricted net assets are temporarily restricted for program services, which are available for operations.

The endowment activities for 2010 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, October 1, 2009	\$ -	\$ -	\$ 1,908,114	\$ 1,908,114
Investment Income	-	791	-	791
Appropriations	-	(791)	-	(791)
Endowment Net Assets, September 30, 2010	\$ -	\$ -	\$ 1,908,114	\$ 1,908,114

NOTE 13 RETIREMENT PLANS

Defined Benefit Pension Plan

CWLA has a defined benefit pension plan. Employees were eligible for participation on the plan entry date following 12 months of employment and 21 years of age. Employer contributions are based on the minimum funding required under the Employee Retirement Income Security Act of 1974 (ERISA). The benefits were based on years of service and the employee's compensation during the last five years of employment. However, the plan was frozen during the year ended September 30, 2006.

The measurement dates used for the plan disclosures are as of September 30, 2010 and 2009, and for the years then ended.

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 13 RETIREMENT PLANS (CONTINUED)

The changes in the projected benefit obligation liability and plan assets are as follows:

	<u>2010</u>	<u>2009</u>
Change in Projected Benefit Obligation		
Projected Benefit Obligation at Beginning of Year	\$ 4,836,425	\$ 4,458,444
Interest Cost	356,491	341,571
Benefits Paid	(192,679)	(138,936)
Actuarial (Gain) Loss	319,490	175,346
	<u>\$ 5,319,727</u>	<u>\$ 4,836,425</u>
Change in Plan Assets		
Fair Value of Plan Assets at Beginning of Year	\$ 3,946,653	\$ 3,600,201
Employer Contributions	397,550	325,479
Benefits Paid	(192,679)	(138,936)
Actual Return on Plan Assets	374,417	159,909
	<u>4,525,941</u>	<u>3,946,653</u>
Excess of Benefit Obligation over Fair Value of Plan Assets	<u>\$ 793,786</u>	<u>\$ 889,772</u>
Components of Net Periodic Benefit Costs		
Interest Cost	\$ 356,491	\$ 341,571
Deferred Asset (Gain) / Loss	53,947	(131,927)
Actual Return on Plan Assets	(374,417)	(159,909)
Amortization of Unrecognized Net Actuarial Loss	229,060	247,869
	<u>\$ 265,081</u>	<u>\$ 297,604</u>

Weighted average assumptions used to determine net periodic benefit obligations are as follows:

	<u>2010</u>	<u>2009</u>
Actuarial Assumptions		
Assumptions Used to Determine Benefit Obligations at September 30:		
Assumed Discount Rate	7.00%	7.50%
Assumed Annual Increase in Salaries	N/A	N/A
Assumptions Used to Determine Benefit Obligations at October 1:		
Assumed Discount Rate	7.00%	7.50%
Assumed Annual Increase in Salaries	N/A	N/A
Expected Long-Term Return on Plan Assets	8.00%	8.00%

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 13 RETIREMENT PLANS (CONTINUED)

Basis Used to Determine Expected Long-Term Rate of Return

The expected long-term rate of return on plan assets is based primarily on expectations of future returns for the defined benefit plan's investments, based upon the target asset allocations. Additionally, the historical returns on comparable equity and fixed income investments are considered in the estimate of the expected long-term rate of return on plan assets.

Investment Policies and Strategies, Including Target Allocations

The investment policy for the plan is to have approximately 50 percent of the plan's assets in equity funds and approximately 50 percent in fixed income investments. The percentage of the fair value of total plan assets held as of September 30, 2010 and 2009 by asset category is as follows:

	2010	2009
Fixed Income Securities	41%	58%
Domestic and International Equities	57%	39%
Cash	2%	3%
Total	100%	100%

CWLA attempts to mitigate investment risk by rebalancing between debt and equity classes as CWLA's contributions and monthly benefit payments are made. Although changes in interest rates may affect the fair value of a portion of the investment portfolio and cause unrealized gains and losses, such gains and losses would not be realized unless the investments are sold.

Financial instruments are categorized based on the inputs to the valuation technique as follows for the year ended September 30, 2010 and 2009:

	2010			
	Level 1	Level 2	Level 3	Total
Pension Plan:				
Equity Securities	\$ 1,850,428	\$ -	\$ -	\$ 1,850,428
Mutual Funds	2,587,325	-	-	2,587,325
Total	\$ 4,437,753	\$ -	\$ -	\$ 4,437,753
	2009			
	Level 1	Level 2	Level 3	Total
Pension Plan:				
Equity Securities	\$ 1,543,611	\$ -	\$ -	\$ 1,543,611
Mutual Funds	2,289,622	-	-	2,289,622
Total	\$ 3,833,233	\$ -	\$ -	\$ 3,833,233

CHILD WELFARE LEAGUE OF AMERICA, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010 AND 2009

NOTE 13 RETIREMENT PLANS (CONTINUED)

Expected CWLA contributions in fiscal year 2011 are unknown at this time. Estimated future benefit payments are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2011	\$ 211,013
2012	237,658
2013	275,573
2014	311,016
2015	340,813
2016 to 2020	1,999,664

In the year ended September 30, 2006, CWLA froze the defined benefit pension plan. No further benefits shall accrue to participants.

For the years ended September 30, 2010 and 2009 pension expense was \$94,537 and \$68,298, respectively.

A waiver of the minimum funding standard for the plan years ending December 31, 2006 and 2005, has been granted subject to the condition that CWLA makes the required quarterly contributions to the plan and meets the minimum funding standard for the plan for each plan year that the plan is subject to a waiver of the minimum funding standard, without applying for a waiver of the minimum funding standard, beginning with the plan year ending December 31, 2007. A minimum funding contribution of \$348,551 is outstanding as of September 30, 2010. CWLA has made contributions during 2010 for the 2005 and 2006 plan years of \$139,208 and \$104,672, respectively.

401(k) Plan

Effective January 1, 2004, CWLA established a 401(k) Plan for all full-time employees. Under the 401(k) Plan, both the employer and employee can contribute to the Plan. Employer contributions to the Plan are discretionary. Total employer contributions to the 401(k) Plan for the years ended September 30, 2010 and 2009, were \$24,130 and \$33,274, respectively.

NOTE 14 COMMITMENTS

Operating Leases

CWLA leases office space at various locations. Under the terms of certain agreements, CWLA is committed to annual rental payments adjusted for defined escalations based on building operating expenses and an inflation factor. A deferred rent amount was recognized to allocate the benefit throughout the term of the individual lease. These operating leases expire at various times through 2020. For the years ended September 30, 2010 and 2009, total rent expense was \$1,001,313 and \$998,022, respectively.

Effective September 30, 2010, CWLA cancelled an office space lease which was expected to expire in 2020. As a result of the early termination of the lease, CWLA entered into a cancellation lease agreement totaling \$492,000.

**CHILD WELFARE LEAGUE OF AMERICA, INC.
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NOTE 14 COMMITMENTS (CONTINUED).

Operating Leases (Continued)

The effects of the lease cancellation resulted in the write-off of \$489,164 in leasehold improvements and \$1,125,110 in deferred rent. The net effect presented in the Statement of Activities is \$143,946.

The lease for office space previously occupied by CWLA in Washington, DC expired in November of 2010. Subsequent to September 30, 2010, CWLA negotiated a five-year, interest free payment plan with the sub-landlord to extinguish past due occupancy expenses of \$311,153, due in monthly payments ranging from \$3,000 to \$5,153, from March 2011 through June 2016.

Future minimum rental payments, as of September 30, 2010, required under these office lease agreements are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2011	\$ 335,609
2012	239,119
2013	245,097
2014	251,224
2015	272,270
Thereafter	1,695,917
Total	<u>\$ 3,039,236</u>

CWLA sub-leased the previous main office space during the year. The sub-lease payments received for the year ended September 30, 2010 and 2009, totaled \$262,844 and \$281,508, respectively.

Future minimum rental payments to be received under the sub-lease agreement are \$1,926 for the year ending September 20, 2011.

Additionally, the security deposit for the current location is secured by a cash deposit in the amount of \$38,880. The letter of credit utilized for the security deposit on the cancelled lease is in the process of being cancelled.

Employment Agreement

CWLA entered into an employment contract with its President/CEO beginning March 31, 2007 for a period of three years. The Board of Directors is currently negotiating a new Agreement or such other terms as are mutually acceptable. There was no new contract as of September 30, 2010.

Hotel Contracts

CWLA has entered into several contracts for the future use of hotel rooms and convention spaces. In the event of cancellation, CWLA is required to pay various cancellation fees as stipulated in the contracts, the amounts of which are dependent upon the date of cancellation. At September 30, 2010, CWLA's commitments for liquidated damages totaled approximately \$496,000.

CHILD WELFARE LEAGUE OF AMERICA, INC.
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SEPTEMBER 30, 2010 AND 2009

NOTE 15 FINANCIAL POSITION AND FUTURE OPERATIONS

Over the past several years, CWLA has confronted numerous financial challenges including significant debt, limited access to credit, high occupancy costs and pension fund mandatory payments. In addition, the economic recession has negatively impacted membership levels, consulting revenues and grant related funding.

To ensure CWLA's long term viability, Management and the Board of Directors have:

- Developed, in collaboration with its primary constituencies, a revised strategic plan and business model.
- Restructured the organization resulting in a significantly smaller and centralized staff. In addition, several senior-level professionals have been hired to provide the core competencies required to implement the revised strategy and business model especially in the areas of resource development.
- Reduced occupancy costs by approximately \$300,000 per year through a lease termination agreement and main office relocation.
- Paid mandatory pension fund waivers of \$870,844 leaving a balance as of September 30, 2010, of only \$348,551 to be paid in 2011 and 2012 for plan years 2005 and 2006.
- Created new categories of membership and modified the dues that members pay in order to retain and broaden overall membership.

Management and the Board of Directors are confident that these actions, along with others to be taken in fiscal year 2011, have strengthened CWLA's financial position and will enable the organization to meet its ongoing financial obligations.