DAVID G. FAW
CERTIFIED PUBLIC
ACCOUNTANT

JUVENILE LAW CENTER

FINANCIAL STATEMENTS

August 31, 2016

JUVENILE LAW CENTER
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For the year ended August 31, 2016
(with comparative totals for the year ended August 31, 2015)

DAVID G. FAW
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Juvenile Law Center
Philadelphia, Pennsylvania

Report on the Financial Statements

I have audited the accompanying financial statements of Juvenile Law Center (a nonprofit corporation), which comprise the statement of financial position as of August 31, 2016 and the related statements of activities, cash flows and functional expenses 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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Member of American & Pennsylvania Institutes of Certified Public Accountants

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Juvenile Law Center as of August 31, 2016, and the changes 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.

Report on Summarized Comparative Information

I have previously audited Juvenile Law Center 2015 financial statements, and my report dated December 18, 2015, expressed an unmodified opinion on those audited financial statements. In my opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Certified Public Accountant
Wayne, Pennsylvania

January 27, 2017

JUVENILE LAW CENTER
STATEMENT OF FINANCIAL POSITION
August 31, 2016
(with comparative totals as of August 31, 2015)

	2016	2015
Assets		
Cash	$ 350,720	$ 236,096
Grants and contributions receivable	222,700	818,100
Prepaid expenses	96,158	82,545
Furniture and equipment, net	5,110	2,194
Investments	5,404,257	5,178,417
Security deposit	11,667	11,667
Total assets	$ 6,090,612	$ 6,329,019
Liabilities		
Accounts payable	$ 30,632	$ 36,861
Accrued expenses	39,509	98,706
Accrued payroll and vacation	101,089	76,694
Deferred revenue	-	66,000
Total liabilities	171,230	278,261
Net assets		
Unrestricted	2,036,504	956,848
Unrestricted, board designated	536,022	491,999
Total unrestricted net assets	2,572,526	1,448,847
Temporarily restricted	2,346,856	3,601,911
Permanently restricted	1,000,000	1,000,000
Total net assets	5,919,382	6,050,758
Total liabilities and net assets	$ 6,090,612	$ 6,329,019

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

JUVENILE LAW CENTER
STATEMENT OF ACTIVITIES
For the year ended August 31, 2016
(with comparative totals for the year ended August 31, 2015)

	Unrestricted						
	Unrestricted	Board Designated	Total Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Support and revenue							
Foundations and other grants	$ 49,158	$ -	49,158	$ 2,126,036	$ -	$ 2,175,194	$ 2,347,952
Individual and corporation contributions	164,217	-	164,217	-	-	164,217	368,611
Special events	309,464	-	309,464	-	-	309,464	389,811
Less: cost of direct donor benefits	(189,561)	-	(189,561)	-	-	(189,561)	-
Attorney's fees	348,401	-	348,401	-	-	348,401	-
Honoraria, fees and other	4,100	-	4,100	-	-	4,100	3,627
Contributed services	25,226	-	25,226	-	-	25,226	22,521
Interest and dividends	65,712	11,067	76,779	37,607	-	114,386	99,256
Realized and unrealized (losses) gains on investments	187,608	33,960	221,568	114,347	-	335,915	(150,623)
Net assets released from restrictions:							
Satisfaction of program restrictions	2,990,048	-	2,990,048	(2,990,048)	-	-	-
Expiration of time restrictions	542,997	-	542,997	(542,997)	-	-	-
Total support and revenue	4,497,370	45,027	4,542,397	(1,255,055)	-	3,287,342	3,081,155
Expenses							
Program	2,585,066	-	2,585,066	-	-	2,585,066	2,076,794
Management and general	344,148	1,004	345,152	-	-	345,152	318,275
Fundraising	488,500	-	488,500	-	-	488,500	468,680
Total expenses	3,417,714	1,004	3,418,718	-	-	3,418,718	2,863,749
Change in net assets	1,079,656	44,023	1,123,679	(1,255,055)	-	(131,376)	217,406
Net assets at beginning of year	956,848	491,999	1,448,847	3,601,911	1,000,000	6,050,758	5,833,352
Net assets at end of year	$ 2,036,504	$ 536,022	$ 2,572,526	$ 2,346,856	$ 1,000,000	$ 5,919,382	$ 6,050,758

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

JUVENILE LAW CENTER
STATEMENT OF CASH FLOWS
For the year ended August 31, 2016
(with comparative totals for the year ended August 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (131,376)	$ 217,406
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,749	2,495
Realized and unrealized (gains) losses on investments	(335,995)	150,623
Changes in assets and liabilities:		
Grants and contributions receivable	595,400	(574,078)
Prepaid expenses	(13,613)	4,902
Accounts payable	(6,229)	(11,763)
Accrued expenses	(59,197)	19,870
Accrued payroll and vacation	24,395	2,201
Deferred revenue	(66,000)	66,000
Net cash provided by (used in) operating activities	9,134	(122,344)
Cash flows from investing activities		
Proceeds from sale of investment securities	214,062	603,570
Purchase of investment securities	(103,906)	(400,667)
Purchase of equipment	(4,666)	(1,580)
Net cash provided by investing activities	105,490	201,323
Net increase in cash	114,624	78,979
Cash at beginning of year	236,096	157,117
Cash at end of year	$ 350,720	$ 236,096

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

JUVENILE LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended August 31, 2016
(with comparative totals for the year ended August 31, 2015)

	Program	Management and General	Fund Raising	Total 2016	Total 2015
Salaries	$ 1,071,910	$ 142,243	$ 260,949	$ 1,475,102	$ 1,502,560
Payroll tax expense	85,664	11,368	20,854	117,886	115,368
Employee benefits	207,554	27,543	50,527	285,624	300,201
Pension expense	42,972	5,703	10,461	59,136	61,939
Total salaries and related expenses	1,408,100	186,857	342,791	1,937,748	1,980,068
Audit and accounting	-	33,469	-	33,469	28,231
Bank charges	1,814	241	442	2,497	1,929
Computer expense	15,073	2,000	3,669	20,742	19,575
Consultant - grant programs	695,579	-	-	695,579	194,484
Consultant - other	99,064	81,403	-	180,467	189,179
Contributed services	24,326	900	-	25,226	22,521
Depreciation	1,271	169	309	1,749	2,495
Fundraising supplies and expense	-	-	67,704	67,704	55,755
Insurance	20,110	2,669	4,895	27,674	27,061
Library	17,151	-	-	17,151	18,330
Litigation	5,586	-	-	5,586	9,987
Miscellaneous	13,368	1,774	3,254	18,396	8,654
Occupancy	114,180	15,152	27,796	157,128	132,202
Office supplies and expense	16,370	2,172	3,985	22,527	25,320
Postage	2,262	300	551	3,113	11,471
Printing and reproduction	17,263	2,291	4,203	23,757	40,020
Staff development	14,827	-	-	14,827	11,037
Telephone	5,199	690	1,265	7,154	11,205
Travel, conferences and meetings	113,523	15,065	27,636	156,224	74,225
Total expenses	$ 2,585,066	$ 345,152	$ 488,500	$ 3,418,718	$ 2,863,749

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

Note 1 – Organization and Nature of Activities and Significant Accounting Policies

Organization and Nature of Activities

Juvenile Law Center ("the Center"), founded in 1975, is a not-for-profit public-interest organization based in Philadelphia, Pennsylvania. The Center assists children and youth through a program of legal representation, public policy formation and community education throughout the United States. The Center is funded through foundation grants, as well as, individual and corporate contributions.

A summary of the Center's significant accounting policies is as follows:

Basis of Presentation

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

Credit and Financial Risk

Substantially all the contributions receivable are derived from grant and foundation donors. All of these receivables are made on an unsecured basis.

The Center maintains its cash in bank deposit and money market accounts, which at times exceed federally insured limits. The Center believes it is not exposed to any significant credit risk on cash.

The Center's investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Grants and Contributions Receivable

All grants and contributions, including unconditional promises, are reported as revenue in the net asset class (unrestricted, temporarily restricted or permanently restricted) appropriate to any donor restrictions on the gift at the time of receipt. The Center uses the allowance method to determine uncollectible grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific amounts due. All grants and contributions receivable are due within approximately one year and are expected to be fully realizable.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value as described in Note 4. Dividend income is recognized when earned. Any unrealized and realized gains or losses are reported in the statement of activities as change in unrestricted net assets, unless explicit donor intent or law restricts their use, in which case unrealized gains or losses are reported in the statement of activities as a change in temporarily restricted assets.

Note 1 - Organization and Nature of Activities and Significant Accounting Policies (Continued)

Net Asset Classification

The Center reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted net assets - Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Included in the unrestricted net assets as of August 31, 2016 is $221,696 of unrestricted gifts received along with cumulative earnings of $317,706 and cumulative expenditures of $3,380 for the year ended August 31, 2016, that have been designated by the Board to function as endowment (Note 8).

Temporarily restricted net assets - Temporarily restricted net assets contain donor-imposed restrictions that permit the Center to use or expand the assets as specified. The restrictions are satisfied either by the passage of time or actions of the Center pursuant to those stipulations.

Permanently restricted net assets - Permanently restricted net assets contain donor-imposed restrictions that neither expire with the passage of time nor are otherwise removed by the Center's actions.

Contributions

Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence and nature of any donor restrictions. Support that is restricted by the donor is reported as increase in unrestricted net assets if the restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, within the same 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

All acquisitions of property and equipment over $5,000 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Contributed Services

The Center recognizes contributions of services received if such services: (a) increase or enhance non-financial assets, (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

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 and disclosures 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.

Note 1 – Organization and Nature of Activities and Significant Accounting Policies (Continued)

Statement of Cash Flows

The Center utilizes the indirect method for reporting the increase or decrease in cash and equivalents. Cash equivalents, when applicable, are defined as short term, highly liquid investments with original maturities of three months or less.

Income Taxes

The Center is a not-for-profit corporation and has been recognized as exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and accordingly does not record a provision for income taxes on its related earnings. Management regularly reviews and evaluates its tax positions taken in previously filed information returns and as reflected in its financial statements, with regard to issues affecting its tax exempt status, unrelated business income, and related matters. It believes that in the event of an examination by taxing authorities, its positions would prevail based upon the technical merits of such positions. Therefore, management has concluded that no tax benefits or liabilities are required to be recognized.

The Center's Forms 990, Return of Organization Exempt from Income Tax, for the years ended August 31, 2016, 2015 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Accrued Vacation

The liability for vacations earned but not taken has been charged to operations. Accrued vacation totaled $46,008 as of August 31, 2016.

The Center has established a Sabbatical Leave Policy effective in 2013, covering all full time employees who meet certain service requirements. The Policy is structured in such a way that no liability for compensated absences is required to be recorded under United States generally accepted accounting principles, as employees are required to work a year following the sabbatical leave, or it must be repaid in its entirety.

Note 2 – Furniture and Equipment

Furniture and fixtures	$ 11,360
Computer equipment	11,708
	23,068
Less accumulated depreciation	17,958
	$ 5,110

Depreciation expense was $1,749 for the year ended August 31, 2016.

The estimated useful lives were as follows:

Furniture and fixtures	5 years
Computer equipment	3 years

Note 3 - Pass Through Grant Agreements

The Center does a significant amount of collaboration. On occasion it serves as the fiscal agent for foundations, passing through dollars to individual subcontractors identified by those foundations. On other occasions the Center has programmatic partners – other non-profits who were identified in Juvenile Law Center foundation grant applications as key partners in the Center's reform efforts. The financial statements reflect such transactions as both revenues and expenses; the Center's core operating budget does not include such items. During the year ended August 31, 2016, expenses associated with these collaborative efforts were $695,579.

Note 4 - Fair Value Measurements

The table below presents the balances of assets measured at fair value on a recurring basis as of August 31, 2016.

		Fair Value Measurements at August 31, 2016 Using		
	Assets Measured at Fair Value August 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Assets:				
Mutual funds:				
Fixed income	$ 1,534,463	$ 1,534,463	$ -	$ -
Equity	3,869,794	3,869,794	-	-
Total assets measured at fair value	$ 5,404,257	$ 5,404,257	$ -	$ -

Note 5 - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at August 31, 2016:

Time restricted	$ 599,586
Purpose restricted, program	1,747,270
	$ 2,346,856

Note 6 - Permanently Restricted Net Assets

Permanently restricted net assets result from contributions whose use by the Center is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Center. Permanently restricted net assets consist of an endowment fund (see Note 8) whose donor has stipulated, as a condition of the gift that the principal is to be maintained as prescribed by the donor and invested.

Note 7 - Retirement Plan

The Center has a 403(b) retirement plan for the benefit of all eligible employees who meet one year of continuous service. Annual contributions to the plan are discretionary and approved by the Board of Directors when it adopts the Center's fiscal year budget. The plan also allows employees to contribute in the form of salary reduction and benefits are to be paid to eligible employees at retirement. Retirement plan expense for the year August 31, 2016 was $59,136.

Note 8 - Endowment Fund

The Center's endowment consists of a donor-restricted fund (Barry Zubrow endowment), and a board-designated fund that was established to support future use. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and are reported as restricted or unrestricted.

Interpretation of Relevant Law

The Commonwealth of Pennsylvania has not adopted UPMIFA. State law allows non-profit organizations to make an election to adopt a total return investment policy as provided by Act 141 (1988) of Pennsylvania legislature 15 Pa. C.S.A Section 5548 ("total return election").

The Center did not make a "total return election," and as such, the Center is free to adopt any prudent investment policy and to make withdrawals consistent with its goals of preserving the Barry Zubrow endowment fund while making funds available to fund the Zubrow fellowship in absence of donor restrictions to limit withdrawals from the funds to income or any other explicit restrictions.

Return Objective, Spending Policy and Risk Parameters

The Center's objective is to earn a reasonable, long-term, risk-adjusted total rate of return to support its specific fellowship program. The spending amount for the program each year is at the Board's sole discretion. The endowment fund is invested in a diversified mix of high quality fixed income securities and equities mutual funds, which are projected to produce above average real returns without exposing the portfolio to excess risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center utilizes a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (dividends). The Center established the investment allocation guideline, which allocates 30% to fixed income securities mutual funds and 70% to equities mutual funds for all of the Center's investments. The Center closely monitors its investment allocation to determine their continued applicability based on the performance of the portfolio and market strategies. The allocation is reviewed quarterly and adjusted based on the recommendation from the advisor and circumstances of market conditions.

Corpus of the Barry Zubrow endowment asset is held in perpetuity based on the donor-restriction. The Barry Zubrow endowment asset is invested in mutual funds. Dividend and earnings earned on the account are appropriated to fund the Zubrow Fellowship when enough dividend and earnings are accumulated to support a Zubrow fellow.

Note 8 - Endowment Fund (continued)

Funds designated by the Board of Directors to function as endowment are primarily invested in mutual funds. Appropriation of the endowment assets is determined by the Board of Directors based on the future operating needs of the Center.

Endowment funds consist of the following as of August 2016:

	Unrestricted	Zubrow Temporarily Restricted	Zubrow Permanently Restricted	Total
Donor-restricted endowment fund	$ -	$ 797,561	$ 1,000,000	$ 1,797,561
Board-designated endowment fund	536,022	-	-	536,022
	$ 536,022	$ 797,561	$ 1,000,000	$ 2,333,583

Changes in endowment funds for the year ended August 31, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets balance at September 1, 2015	$ 491,999	$ 699,000	$ 1,000,000	$ 2,190,999
Investment return:				
Investment income	11,067	37,607	-	48,674
Net realized and unrealized gains	33,960	114,347	-	148,307
Appropriation of endowment assets:				
Expenditure	(1,004)	(53,393)	-	(54,397)
Endowment net assets, balance at August 31, 2016	$ 536,022	$ 797,561	$ 1,000,000	$ 2,333,583

Note 9 - Lease

The Center shares office space with the Education Law Center with a lease term through August 14, 2019. Under the lease, the Center is responsible for minimum rental amounts to be paid plus all use and occupancy taxes and electricity imposed upon the lease space. Commencing on January 1, 2016, the Center will continue to pay electricity imposed upon the lease space plus a sum equal to 3.34% of all increases in the real estate taxes and operating expenses of the building in the base year 2015 as additional rent. As of August 31, 2016, the Center has a security deposit with the landlord of $11,667 which will be applied at the end of the lease term provided that the lease is not in default.

Note 9 - Lease (continued)

The lease is cancelable subject to the conditions that the Center has at no time been in default under the terms of the lease, the Center must give the landlord written notice 270 days prior to termination, and the Center must provide reasonable documentation that the Center, due to diminished funding and resources, can no longer afford the rent. In addition to the notice an early termination fee will be assessed. The fee will be equal to the unamortized portion (based on a ten year amortization schedule beginning on the commencement date and ending on the termination date) of: (i) twenty percent of the aggregate build-out cost and expenses, (ii) moving expenses related to the build-out reimbursed to the Center by the landlord, (iii) twenty five percent of the broker's commissions paid by the landlord in connection with the amending and extending the terms of the original lease and (iv) the Center shall also reimburse the landlord up to $7,500 for the landlord's reasonable actual out-of-pocket costs to physically separate the vacated space to create two separate offices.

Future minimum payments under the lease at August 31, 2016 are:

Year Ending August 31, 2017	$ 130,200
2018	133,300
2019	136,400
	$ 399,900

Occupancy expense was $148,324 for the year ended August 31, 2016.

Note 10 - Prior Year Information

Certain financial statements contained herein include 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 the Center's financial statements for the year ended August 31, 2015 from which the summarized information was derived.

Note 11 - Evaluation of Subsequent Events

The Center has evaluated subsequent events through January 27, 2017, the date which the financial statements were available to be issued. No items were noted which require disclosure in the financial statements.